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**BEFORE THE STATE WATER
RESOURCES CONTROL BOARD**

In the Matter of the State Water Resources)
Control Board (State Water Board))
Hearing to Determine whether to Adopt a)
Draft Cease & Desist Order against)
California American Water Regarding its)
Diversion of Water from the Carmel River)
in Monterey County under Order WR 95-10)
_____)

Hearing Date: July 23 - 25, 2008

Carmel River in Monterey County

EXHIBIT MPWMD-JO15

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

1 SOMACH, SIMMONS & DUNN
A Professional Corporation
2 STUART L. SOMACH, ESQ. (SBN 090959)
SANDRA K. DUNN, ESQ. (SBN 119161)
3 NICHOLAS A. JACOBS, ESQ. (SBN 210091)
813 Sixth Street, Third Floor
4 Sacramento, CA 95814-4407
Telephone: (916) 446-7979
5 Facsimile: (916) 446-8199

FILED

FEB - 9 2007

LISA M. GALDOS
CLERK OF THE SUPERIOR COURT
DEPUTY

6 Attorneys for Plaintiff and Cross-Defendant
CALIFORNIA AMERICAN WATER

7
8 IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 IN AND FOR THE COUNTY OF MONTEREY

10 CALIFORNIA AMERICAN WATER,)

Case No. M66343

11)
12 Plaintiff,)

13 vs.)

14 CITY OF SEASIDE; CITY OF)
MONTEREY; CITY OF SAND CITY;)
15 CITY OF DEL REY OAKS; SECURITY)
NATIONAL GUARANTY, INC.; GRANITE)
16 ROCK COMPANY, INC.; D.B.O.)
DEVELOPMENT COMPANY NO. 27,)
17 INC.; MURIEL E. CALABRESE 1987)
TRUST; ALDERWOODS GROUP)
18 (CALIFORNIA), INC.; PASADERA)
COUNTRY CLUB, LLC; LAGUNA SECA)
19 RESORT, INC; BISHOP MC INTOSH &)
MC INTOSH, a general partnership; THE)
20 YORK SCHOOL, INC.; and DOES 1)
through 1,000, Inclusive,)

~~PROPOSED~~ ORDER RE: (1)
WATERMASTER'S POST-JUDGMENT
PETITION; AND (2) JOINT POST-
JUDGMENT MOTION TO REQUEST
CLARIFICATION OF THE COURT'S
FINAL DECISION RELATING TO THE
CALCULATION OF THE OVER-
PRODUCTION REPLENISHMENT
ASSESSMENT

(Assigned to Hon. Roger D. Randall, Ret.)

21 Defendants.)

22 _____)
23 MONTEREY PENINSULA WATER)
MANAGEMENT DISTRICT,)

24 Intervenor.)

25 _____)
26 MONTEREY COUNTY WATER)
RESOURCES AGENCY,)

27 Intervenor.)

28 _____)
AND RELATED CROSS-ACTIONS)

[PROPOSED] ORDER RE: (1) WATERMASTER'S POST-JUDGMENT PETITION; AND (2) JOINT POST-JUDGMENT MOTION TO REQUEST CLARIFICATION OF THE COURT'S FINAL DECISION RELATING TO THE CALCULATION OF THE OVER-PRODUCTION REPLENISHMENT ASSESSMENT

1 Both the Watermaster's Post-Judgment Petition and the City of Seaside's and California
2 American Water's Joint Post-Judgment Motion to Request Clarification of the Court's Final
3 Decision Relating to the Calculation of the Over-Production Replenishment Assessment came
4 regularly for hearing before this Court on January 12, 2007. Present and appearing for their
5 parties were attorneys Nicholas Jacobs for California American Water, Russell McGlothlin and
6 Donald Freeman for City of Seaside, James Heisinger for City of Sand City, David Laredo for
7 Monterey Peninsula Water Management District (MPWMD) and Eric Robinson for Bishop,
8 McIntosh and McIntosh and specially appearing for Laguna Seca Resort, Inc., Pasadera Country
9 Club, LLC, and the York School, Inc.

10 Having reviewed and considered the pleadings, the memoranda of points and authorities,
11 and the documents submitted by the parties, and having heard oral argument by counsel, the Court
12 **HEREBY ORDERS:**

13 1. The Court adopts California American's approach to calculating the Over-
14 Production Replenishment Assessment. The Watermaster shall amend its Rules and Regulations
15 to include the calculation methodology proposed by California American.

16 2. With the revisions set forth below, which were ordered by the Court at the January
17 12, 2007 hearing, the Court approves the Basin Monitoring and Management Program (MMP)
18 submitted with the Watermaster Petition. The MMP shall be revised as follows:

19 a. Watermaster staff shall coordinate with MPWMD and California
20 American to report their quarterly water quality testing in the Seaside Basin. Reports of the testing
21 shall be prepared within ninety days of the testing and made available upon request to the
22 Watermaster.

23 b. Any detection of salinity intrusion in the Seaside Basin by the
24 Watermaster staff or any party to this matter shall be reported immediately to the Watermaster and
25 to the Court.

26 c. No later than March 13, 2007, Watermaster shall report to the Court that a
27 contract has been let for a consultant to oversee implementation of the MMP.

28

1 d. No later than June 11, 2007, Watermaster shall report to the Court that
2 consultants implementing the MMP have designated and identified the sites for drilling the
3 groundwater monitoring wells required by the MMP.

4 3. The Decision shall be amended to reflect that after the potential 10% reduction in
5 Operating Yield that may occur on January 1, 2009, subsequent potential reductions would occur
6 triennially thereafter on October 1st of 2011, 2014, 2017, 2020, 2024, etc. This change reflects the
7 switch from an Administrative Year to a Water Year/Fiscal Year. For the initial potential 10%
8 reduction in Operating Yield that will occur, if at all, on January 1, 2009, the 10% reduction would
9 apply to 75% of the Operating Yield, because 25% of the Water Year would have already elapsed.
10 Assuming the current Operating Yield of 5600 acre-feet, the Basin-wide Operating Yield would be
11 reduced to 5,180 acre-feet on January 1, 2009. Subsequent potential Operating Yield reductions
12 would occur on the Water Year schedule set forth in the MMP.

13 4. With the exceptions ordered by the Court at the hearing on this matter, the Court
14 approves the revisions to the Decision requested in the Watermaster Petition. The Amended
15 Decision is attached as Exhibit A to this Order.

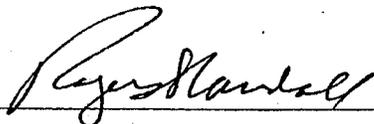
16 5. The Watermaster shall ~~consider~~ ^{revis} ~~revising~~ its Rules and Regulations to address the
17 following issues:

18 a. Section 9.0 should set forth the quantum of proof required in Watermaster
19 proceedings. The Court suggests a preponderance of the evidence standard.

20 b. Section 11.0 should contain more information regarding the types of
21 acceptable water measuring devices and/or a requirement that the Watermaster approve of each
22 party's measuring device(s).

23 IT IS SO ORDERED.

24
25 Dated: 9 February 07

By 

Honorable Roger D. Randall

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PROOF OF SERVICE

I am employed in the County of Sacramento; my business address is Hall of Justice Building, 813 Sixth Street, Third Floor, Sacramento, California; I am over the age of 18 years and not a party to the foregoing action.

On January 26, 2007, I served a true and correct copy of

[PROPOSED] ORDER RE: (1) WATERMASTER'S POST-JUDGMENT PETITION; AND
(2) JOINT POST-JUDGMENT MOTION TO REQUEST CLARIFICATION OF THE
COURT'S FINAL DECISION RELATING TO THE CALCULATION OF THE OVER-
PRODUCTION REPLENISHMENT ASSESSMENT

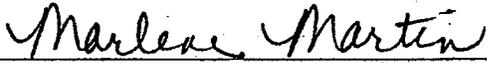
X (by mail) on all parties in said action listed below, in accordance with Code of Civil Procedure §1013a(3), by placing a true copy thereof enclosed in a sealed envelope in a designated area for outgoing mail, addressed as set forth below. At Somach, Simmons & Dunn, mail placed in that designated area is given the correct amount of postage and is deposited that same day, in the ordinary course of business, in a United States mailbox in the City of Sacramento, California.

___ (by personal delivery) by personally delivering a true copy thereof to the person and at the address set forth below:

___ (by facsimile transmission) to the person at the address and phone number set forth below:

SEE ATTACHED SERVICE LIST

I declare under penalty of perjury that the foregoing is true and correct under the laws of the State of California. Executed on January 26, 2007, at Sacramento, California.



Marlene Martin

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17	Brian Finegan Law Offices of Brian Finegan P.O. Box 2058 Salinas, CA 93902 Facsimile: (831) 757-9329	Attorneys for Defendant Granite Rock Company
18	19	
20	Michael Albov Hudson, Martin, Ferrante & Street P.O. Box 112 Monterey, CA 93942-0112 Facsimile: (831) 375-0131	Attorneys for Defendant Muriel E. Calabrese 1987 Trust
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24	25	
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Watermaster Executive Officer

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EXHIBIT A

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I. INTRODUCTION

This Decision sets forth the adjudicated rights of the parties to this lawsuit (with certain exceptions noted in section I.D. below), including Plaintiff California American Water, and Defendants the City of Seaside, the City of Monterey; the City of Sand City, the City of Del Rey Oaks, Security National Guaranty, Inc., Granite Rock Company, D.B.O. Development Company No. 27, Muriel E. Calabrese 1987 Trust, Alderwoods Group (California), Inc., Pasadera Country Club, LLC, Laguna Seca Resort, Inc., Bishop, McIntosh & McIntosh, and The York School, Inc. (hereinafter "Water User Defendants") to use the water resources of the Seaside Groundwater Basin ("Seaside Basin" or "Basin") and provides for a physical solution for the perpetual management of the Basin, which long-term management will provide a means to augment the water supply for the Monterey Peninsula.

A. Seaside Groundwater Basin.

The Seaside Basin is located in Monterey County and underlies the Cities of Seaside, Sand City, Del Rey Oaks, Monterey, and portions of unincorporated county areas, including the southern portions of Fort Ord, and the Laguna Seca Area. The boundaries of the Basin are depicted in Exhibit B of this Decision. Generally, the Seaside Basin is bounded by the Pacific Ocean on the west, the Salinas Valley on the north, the Toro Park area on the east, and Highways 68 and 218 on the south. The Seaside Basin consists of subareas, including the Coastal subarea and the Laguna Seca subarea in which geologic features form partial hydrogeologic barriers between the subareas.

B. The Parties.

1. Plaintiff California American Water ("Plaintiff" or "California American") is an investor-owned public utility incorporated under the laws of the State of California. (See Pub. Utilities Code, §§ 1001 et seq. and 2701 et seq.) California American produces groundwater from the Seaside Basin and delivers it for use on land within its certificated service area that both overlies portions of the Seaside Basin, and is located outside of the Seaside Basin Area, all within the County of Monterey.

//

1 2. Defendant City of Seaside ("Seaside") is a general law city situated in the
2 County of Monterey. Seaside produces groundwater from the Seaside Basin (1) for use on two
3 city-owned golf courses that overlie the Basin, and (2) for municipal water service to its residents.
4 (See Call. Const., Art. XI, § 9; Gov. Code, § 38730.)

5 3. Defendant City of Sand City ("Sand City") is a charter city situated in the
6 County of Monterey. Sand City produces groundwater from the Seaside Basin and delivers it for
7 use on private and publicly owned lands within its incorporated boundaries, all of which overlie
8 the Seaside Basin. (See Cal. Const., Art. XI, § 9; Gov. Code, § 38730.)

9 4. Defendant City of Del Rey Oaks ("Del Rey Oaks") is a general law city situated
10 in the County of Monterey. Land within Del Rey Oaks' incorporated boundaries overlies the
11 Seaside Basin. The two wells Del Rey Oaks presently operates for irrigation of public lands are
12 located outside the Seaside Basin area and are, therefore, excluded from this Stipulation. (See
13 Cal. Const., Art. XI, § 9; Gov. Code, § 38730.)

14 5. Defendant City of Monterey ("Monterey") is a charter city situated in the
15 County of Monterey. Monterey owns and controls land that overlies the Seaside Basin area.

16 6. Defendant Security National Guaranty, Inc. ("SNG") is a California corporation
17 with its principal place of business in the City and County of San Francisco. SNG's primary
18 business activity is real estate development. As part of its operation, SNG and/or its
19 predecessors-in-interest have produced groundwater from the Seaside Basin. SNG also owns
20 land overlying the Seaside Basin.

21 7. Defendant Granite Rock Company ("Granite") is a California corporation with
22 its principal place of business in the County of Santa Cruz. Granite's primary business activity
23 is the production and sale of concrete aggregate and building materials. As part of its Seaside
24 concrete and building materials plant, Granite has produced groundwater from the Seaside Basin.
25 Granite also owns land overlying the Seaside Basin.

26 8. Defendant D.B.O. Development No. 27 ("D.B.O."), erroneously sued herein as
27 D.B.O. Development Company, is a California limited liability company with its principal place
28 of business in the County of Monterey. D.B.O.'s primary business activity is the ownership and

1 development of real property for commercial, industrial, residential, and public uses. As part of
2 their ownership and development of land overlying the Seaside Basin, D.B.O. and/or its
3 predecessor in interest have produced groundwater from the Basin. D.B.O. also owns and
4 controls land overlying the Seaside Basin.

5 9. Defendant Muriel E. Calabrese 1987 Trust ("Calabrese") is an irrevocable trust
6 that holds property in the County of Monterey. Calabrese and/or its predecessor in interest have
7 produced groundwater from the Seaside Basin in relation to the operation of its paving, grading
8 and construction business and operation of a concrete batch plant in Sand City. Calabrese also
9 owns and controls land overlying the Seaside Basin.

10 10. Defendant Alderwoods Group (California), Inc. ("Alderwoods Group"), DBA
11 Mission Memorial Park ("Mission Memorial") is a California corporation with its principal
12 place of business in the County of Monterey. Mission Memorial's primary business activity is
13 the operation of a cemetery in the City of Seaside. As part of maintenance of the cemetery,
14 Mission Memorial has produced groundwater from the Seaside Basin. Mission Memorial also
15 owns land overlying the Seaside Basin.

16 11. Defendant Pasadera Country Club, LLC ("Pasadera") is a California limited
17 liability company with its principal place of business in the County of Monterey. Pasadera's
18 primary business activity is the operation of a private golf course. As part of its golf course
19 operations, Pasadera has produced groundwater from the Seaside Basin. Pasadera also owns
20 land overlying the Seaside Basin.

21 12. Defendant Bishop, McIntosh & McIntosh ("Bishop") is a general partnership,
22 with its principal place of business in the County of Monterey. Bishop owns land overlying the
23 Laguna Seca Subarea of the Seaside Basin. Defendant Laguna Seca Resort, Inc. ("Laguna
24 Seca") is a California corporation with its principal place of business in the County of Monterey.
25 Laguna Seca's primary business activity is the operation of a public golf course on land owned in
26 fee by Bishop. Laguna Seca operates the golf course pursuant to a lease with Bishop. As part of
27 the golf course's operations, groundwater is produced from the Laguna Seca Subarea of the
28 Seaside Basin for irrigation purposes. Laguna Seca filed a cross-complaint against California

1 American, and Bishop filed a cross-complaint against California American and all defendants
2 other than Laguna Seca Defendants Laguna Seca Resort, Inc. and Bishop, McIntosh & McIntosh
3 shall collectively be referred to as "Laguna Seca/Bishop." However, the pumping allocation
4 established in Section III.B., below, is held only by Bishop, as the overlying property owner.
5 Laguna Seca is a Water User Defendant now exercising Bishop's pumping allocation and
6 operating the golf course facilities. The damages provided for in Section III.G. shall be based on
7 the Average Gross Annual Income of the entity operating these golf course facilities, which is now
8 Laguna Seca (Bishop's lessee).

9 13. Defendant County of Monterey owns land on which is operates the Laguna Seca
10 Park. County of Monterey has produced groundwater from the Seaside Basin for use at Laguna
11 Seca Park. County of Monterey owns land overlying the Seaside Basin.

12 14. Intervenor Monterey Peninsula Water Management District ("MPWMD") is a
13 district formed pursuant to Water Code Appendix sections 118-1 et seq. MPWMD intervened
14 as a party defendant as against California American, cross-complained against the other parties as
15 a plaintiff, and is a defendant in a cross-complaint filed by Seaside and joined in by City
16 defendants.

17 15. Intervenor Monterey County Water Resources Agency ("MCWRA") is a duly
18 constituted Water Resources Agency created pursuant to California Water Code Appendix
19 section 52-3 et seq. MCWRA intervened inn this action as a plaintiff as against all parties.

20 16. Defendant The York School, Inc. ("York" or "York School"), is a nonprofit
21 corporation, founded in 1959 as an independent day school providing college preparatory
22 education. Its primary activity is the operation of a school. York leases approximately 31.4 acres
23 of property from the United States, Department of the Army, on the former Fort Ord. This
24 property is located immediately north of the main campus, across York Road, and is a portion of a
25 larger parcel, approximately 107 acres in size, that is scheduled to be transferred as a public
26 benefit conveyance to York from the federal government. This parcel overlies the Seaside Basin
27 and is subject to this Decision. York has produced groundwater from the Seaside Basin. York
28 is not an agent of the United States, nor can York bind the United States to this Decision.

1 C. The Complaint.

2 On or about August 14, 2003, Plaintiff filed a complaint against Defendants and Does 1
3 through 1,000 requesting a declaration of Plaintiff's and Defendants' individual and collective
4 rights to groundwater and a mandatory and prohibitory injunction requiring the reasonable use
5 and coordinated management of groundwater within the Seaside Basin pursuant to Article X,
6 Section 2 of the California Constitution. The pleadings further allege that Plaintiff and
7 Defendants collectively claim substantially all rights of groundwater use, replenishment and
8 storage within the Seaside Basin area, that the Natural Safe Yield (as defined in Section III.A.) is
9 being exceeded, and that absent a physical solution and coordinated groundwater management
10 strategy, the Seaside Basin is in imminent risk of continued lowering of water levels, increased
11 pump-lifts, diminution of water supply and quality, seawater intrusion, and possible land
12 subsidence. Accordingly, Plaintiff requested: (1) a determination of the Seaside Basin's safe
13 yield; (2) an operating plan for the management of the Basin; (3) a declaration of the rights of the
14 parties named in this Complaint; (4) a declaration and quantification, as part of a physical
15 solution, of the parties' respective rights to make use of the Seaside Basin's available storage
16 space; and (5) the appointment of a Watermaster to administer the Court's Decision.
17 Subsequently, Plaintiff has twice amended its complaint and the operative complaint is now the
18 Second Amended Complaint, which sets forth the same general allegations as the original
19 complaint.

20 D. Defendants' Responses.

21 Water User Defendants in this action have all responded to the Complaint pursuant to
22 Answers. In addition, they have all joined in a motion seeking Court approval of a Stipulated
23 Judgment. The Monterey Peninsula Water Management District and the County of Monterey,
24 including the Monterey County Water Resources Agency, did not join in the Stipulation.

25 On or about September 24, 2003, Intervenor MPWMD filed a complaint in intervention
26 against the defendants named in the Complaint. Defendants to that complaint responded to the
27 cross-complaint pursuant to an Answer, containing a general denial and affirmative defenses.

28 //

1 Seaside, on or about January 9, 2004, filed a cross-complaint against MPWMD.
2 MPWMD responded to the cross-complaint by filing an Answer, containing a general denial and
3 affirmative defenses.

4 Laguna Seca, on or about April 23, 2004, filed a cross-complaint against California
5 American. California American responded to the cross-complaint pursuant to an Answer,
6 containing a general denial and affirmative defenses.

7 Bishop, on or about September 23, 2004, filed a cross-complaint against California
8 American and against all defendants other than Laguna Seca. California American, Granite, Sand
9 city, Alderwoods Group, York School, D.B.O., Monterey, MPWMD, Seaside, and Pasadera
10 responded to the cross-complaint pursuant to Answers containing general denials and affirmative
11 defenses.

12 SNG, on or about July 26, 2005, filed a cross-complaint against MPWMD. MPWMD
13 responded to the cross-complaint by filing an Answer, containing a general denial and affirmative
14 defenses.

15 At the conclusion of argument on December 22, 2005, the various defendant cross-
16 complainants agreed that the relief they had sought via their cross-complaints had been subsumed
17 in the litigation of the complaint and complaints in intervention, the answers thereto, and the
18 Settlement Agreement and General Mutual Release executed by all parties save the intervenors
19 and the County of Monterey.

20 E. Joint Motion for Entry of Judgment.

21 Plaintiff and Water User Defendants filed a Motion for the Entry of Judgment along with
22 a Stipulation for Entry of Judgment, which was opposed by both intervenors. The Motion for
23 Entry of Judgment requested that the Court approve the Stipulation and enter the Judgment. The
24 motion was heard by this Court on December 12, 2005. At the request of the moving parties, it
25 deferred its ruling until it had taken evidence in the trial of this matter.

26 Having now received the evidence, and having considered written and oral argument from
27 the various parties, the Court denies the Motion for Entry of Judgment. The Court accepts the
28 stipulation of certain of the parties entitled "Settlement Agreement and General Mutual Release"

1 filed with the Court during trial insofar as the stipulation does not conflict with the ruling set forth
2 herein.

3 F. Jurisdiction. This Court has jurisdiction to enter a Judgment declaring and adjudicating
4 Plaintiff's and Water User Defendants' rights to the reasonable and beneficial use of
5 groundwater in the Seaside Basin Area, including the imposition of a physical solution, pursuant
6 to Article X, Section 2 of the California Constitution.

7 II. FINDINGS

8 A. Importance of Groundwater. Groundwater is an important water supply source for
9 businesses, individuals and public agencies that overlie or Extract groundwater from the Seaside
10 Basin. The overwhelming majority of the groundwater appropriated from the Seaside Basin has
11 been and continues to be dedicated to a public use in accordance with the provisions of the
12 California Constitution, Article X, Section 5. The Plaintiff and the Water User Defendants rely
13 upon continued availability of groundwater to meet their demands. The intervenors, MPWMD
14 and MCWRA, have a legislatively mandated interest in the preservation and enhancement of
15 groundwater in the Basin.

16 B. Status of the Groundwater Basin.

17 1. Perennial Natural Safe Yield. The Perennial Natural Safe Yield (as defined in
18 Section III.A. and hereinafter referred to as "Natural Safe Yield") of the Seaside Basin is solely
19 the result of natural percolation from precipitation and surface water bodies overlying the Basin.
20 The Court finds that the Natural Safe Yield of the Basin as a whole, assuming no action is taken
21 to capture subsurface flow exiting the northern boundary of the Basin, is from 2,581 to 2,913 acre
22 feet per year. The Natural Safe Yield for the Coastal Subarea is estimated from 1,973 to 2,305
23 acre feet per year, and the Natural Safe Yield for the Laguna Seca Subarea is 608 acre feet per
24 year.

25 2. Groundwater Production. Production records demonstrate that the cumulative
26 annual groundwater production of the Parties from the Seaside Basin area in each of the five (5)
27 years immediately preceding the filing of this action has been between approximately 5,100 and
28 6,100 acre feet. Therefore, the Court finds that groundwater production has exceeded the Natural

1 Safe Yield during the preceding five (5) years throughout the Seaside Basin and in each of its
2 subareas. While no one can predict with precision when it will occur, all parties agree continued
3 indefinite production of the Basin Groundwater in excess of the Natural Safe Yield will
4 ultimately result in seawater intrusion, with deleterious effects on the Basin. The evidence
5 demonstrates that the stage is set for such an occurrence in the foreseeable future.

6 C. Legal Claims.

7 1. Groundwater Rights. Certain Parties allege that they have produced groundwater
8 openly, notoriously, continuously, and without interruption in excess of the Natural Safe Yield of
9 the Basin for more than five (5) years. As a result, these Parties allege that they have accrued
10 prescriptive rights as articulated by the California Supreme Court in *City of Pasadena v. City of*
11 *Alhambra* (1948) 33 Cal.2d 908. In defense of these claims, other Parties deny that the elements
12 of prescription have been satisfied, and further allege the affirmative defense of "self help" as
13 recognized in *Pasadena, supra*, 33 Cal.2d at pp. 932-32. Those Parties responsible for public
14 water service also raise Civil Code section 1007 as an affirmative defense against prescription.

15 The Court finds that there is merit to the claim that certain prescriptive rights have accrued,
16 but also finds that there is merit to the aforementioned affirmative defenses. Accordingly, the
17 Court finds that the Parties collectively possess a variety of rights based in prescription and other
18 original rights (including overlying and appropriative rights). Each Party's right to produce
19 naturally occurring groundwater from the Seaside Basin therefore reflects the amount of their
20 historical production from the Basin, and respects the priority of allocations under California law.
21 The physical solution set forth by this Decision is intended to ultimately reduce the drawdown of
22 the aquifer to the level of the Natural Safe Yield; to maximize the potential beneficial use of the
23 Basin; and to provide a means to augment the water supply for the Monterey Peninsula.

24 2. Storage Rights. The Court finds that the public interest is served by augmenting
25 the total yield of the Seaside Basin through artificial groundwater recharge, storage, and recovery.
26 It is well established that an entity which artificially recharges a groundwater basin with the intent
27 to later recapture that water maintains an exclusive right to recapture that quantity of water by
28 which said recharge augments the retrievable water supply of the groundwater basin, so long as

1 such recharge and recapture (i.e., storage) does not materially harm the groundwater basin or any
2 other entity's prior rights associated with the groundwater basin. (*City of Los Angeles v. City of*
3 *San Fernando* (1975) 14 Cal.3d 199, 264; *City of Los Angeles v. City of Glendale* (1943)
4 23 Cal.2d 68, 76-77; see also Water Code, § 7075.) The Court finds, therefore, that the right to
5 store and recover water from the Seaside Basin shall be governed by the provisions of the
6 Decision, and the rules and regulations promulgated by the Seaside Basin Watermaster, the basic
7 provisions of which are described in Section III.H.

8 3. De Minimis Production. The Court finds that production of groundwater by any
9 person or entity less than five (5) acre feet per year is not likely to significantly contribute to a
10 Material Injury (as defined in Section III.A.) to the Seaside Basin or any interest related to the
11 Seaside Basin. Accordingly, this Decision is not intended to govern the production of
12 groundwater by any person or entity that produces a total quantity of groundwater that is less
13 than five (5) acre feet per year. However, to the extent the Court determines in the future that
14 this exemption has contributed to or threatens to contribute to a Material Injury to the Seaside
15 Basin or any interest related to the Seaside Basin, including any contribution caused by
16 production subject to this exemption in combination with all other production from the Seaside
17 Basin, the Court will modify or eliminate this exemption as it deems prudent pursuant to its
18 reserved jurisdiction provided in Section III.O.

19 4. Transferability of Seaside Basin Rights. The Court finds that maximum
20 beneficial use of the Seaside Basin's resources is encouraged by the ability to sell and lease
21 production allocations. Such transferability will also provide necessary flexibility to satisfy
22 future water supply needs. Accordingly, the Court finds that production allocations should be
23 assignable, subject to the rules and regulations promulgated by the Watermaster, and subject to
24 certain Parties' participation in the Alternative Production Allocation, described in Section III.B.3,
25 which election will restrict their transfers of water.

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1 **III. DECISION**

2 **IT IS HEREBY ORDERED, ADJUDGED AND DECREED:**

3 **A. Definitions.**

4 1. "Alternative Production Allocation" is the amount of Groundwater that a
5 Producer participating in this allocation method may Produce from a Subarea of the Seaside
6 Basin as provided in Section III.B.3.

7 2. "Artificial Replenishment" means the act of the Watermaster, directly or
8 indirectly, engaging in or contracting for Non-Native Water to be added to the Groundwater
9 supply of the Seaside Basin through Spreading or Direct Injection to offset the cumulative Over-
10 Production from the Seaside Basin in any particular Water Year pursuant to Section III.L.3.j.iii.
11 It shall also include programs in which Producers agree to refrain, in whole or in part, from
12 exercising their right to produce their full Production Allocation where the intent is to cause the
13 replenishment of the Seaside Basin through forbearance in lieu of the injection or spreading of
14 Non-Native Water.

15 3. "Base Water Right" is the percentage figure or the fixed amount assigned to
16 each Party as provided in Section III.B.2, which is used to determine various rights and
17 obligations of the Parties as provided in Sections III.B.2, III.B.3, III.L.3.c, and III.L.3.j.iii.

18 4. "Brackish Water" means water containing greater than 1,000 parts of chlorides
19 to 1,000,000 parts of Water.

20 5. "Carryover" means that portion of a Party's Production Allocation that is not
21 Extracted from the Basin during a particular Water Year. Each acre-foot of Carryover establishes
22 an acre-foot of Carryover Credit.

23 6. "Carryover Credit(s)" means the quantity of Water established through
24 Carryover, that a Party is entitled to Produce from the Basin pursuant to Section III.F.

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1 7. “Coastal Subarea” means those portions of the Seaside Basin that are west of
2 North-South Road, and further as shown on the Basin map attached as Exhibit B to this
3 Decision.

4 8. “Direct Injection” means a method of Groundwater recharge whereby Water is
5 pumped into the Basin through wells or other artificial channels.

6 9. “Extraction,” “Extractions,” “Extracting,” “Extracted,” and other variations
7 of the same noun or verb, mean pumping, taking, diverting or withdrawing Groundwater by any
8 manner or means whatsoever from the Seaside Basin.

9 10. “Feasible” means capable of being accomplished in a successful manner within
10 a reasonable period of time, taking into account economic, environmental, social, and
11 technological factors.

12 11. “Fiscal Year” means the twelve (12) month period from January 1 through
13 December 31.

14 12. “Groundwater” means all Water beneath the ground surface in the Seaside
15 Basin, including Water from Natural Replenishment, Artificial Replenishment, Carryover, and
16 Stored Water.

17 13. “Laguna Seca Subarea,” or “Laguna Seca Area,” means those portions of the
18 Basin that are east of the Southern Coastal Subarea and south of the Northern Inland Subarea, as
19 shown on the Seaside Basin map attached as Exhibit B to this Decision.

20 14. “Landowner Group” means all Producers that own or lease land overlying the
21 Seaside Basin and Produce Groundwater solely for use on said land, except California American,
22 Seaside (Municipal), Monterey, Del Rey Oaks, and Sand City.

23 15. “Material Injury” means a substantial adverse physical impact to the Seaside
24 Basin or any particular Producer(s), including but not limited to: seawater intrusion, land
25 subsidence, excessive pump lifts, and water quality degradation. Pursuant to a request by any
26 Producer, or on its own initiative, Watermaster shall determine whether a Material Injury has
27 occurred, subject to review by the Court as provided for in Section III.N.

28

1 16. “Natural Replenishment” means all processes by which Water may become a
2 part of the Groundwater supply of the Seaside Basin without the benefit of the Physical Solution
3 and the coordinated management it provides. Groundwater that occurs in the Seaside Basin as a
4 result of the Physical Solution, which is not Natural Replenishment, includes, but is not limited to
5 Storage, Carryover, and Artificial Replenishment.

6 17. “Natural Safe Yield” or “Perennial Natural Safe Yield” means the quantity of
7 Groundwater existing in the Seaside Basin that occurs solely as a result of Natural
8 Replenishment. The Natural Safe Yield of the Seaside Basin as a whole, assuming no action is
9 taken to capture subsurface flow exiting the northern boundary of the Basin, is from 2,581 to
10 2,913 acre feet per year. The Natural Safe Yield for the Coastal Subareas is from 1,973 to 2,305
11 acre feet per year. The Natural Safe Yield for the Laguna Seca Subarea is 608 acre feet per year.

12 18. “Non-Native Water” means all Water that would not otherwise add to the
13 Groundwater supply through natural means or from return flows from surface applications other
14 than intentional Spreading.

15 19. “Overdraft” or “Overdrafted” refers to a condition within a Groundwater
16 basin resulting from long-term depletions of the basin over a period of years.

17 20. “Operating Safe Yield” means the maximum amount of Groundwater resulting
18 from Natural Replenishment that this Decision, based upon historical usage, allows to be
19 produced from each Subarea for a finite period of years, unless such level of production is found
20 to cause Material Injury. The Operating Safe Yield for the Seaside Basin, as a whole, is 5,600
21 acre feet. The Operating Yield is 4,611 acre feet for the Coastal Subarea and 989 acre feet for the
22 Laguna Seca Subarea. The Operating Yield established here will be maintained for three (3)
23 years from the date of this Decision or until a determination is made by the Watermaster,
24 concurred in by this Court, that continued pumping at this established Operating Yield will cause
25 Material Injury to the Seaside Basin or to the Subareas, or will cause Material Injury to a
26 Producer due to unreasonable pump lifts. In either such event the Watermaster shall determine
27 the modified Operating Yield in accordance with the Principles and Procedures attached hereto as
28 Exhibit A, and through the application of criteria that it shall develop for this purpose.

1 21. “Over-Production” and other variations of the same term means (1) with regard
2 to all Production from the Seaside Basin, that quantity of Production which exceeds an initially
3 assumed Natural Safe Yield of 3,000 afy (or such adjusted calculation of Natural Safe Yield as
4 further study of the Basin by the Watermaster shall justify); or (2) with regard to each Producer,
5 that quantity of Water Produced in any Water Year in excess of that Producer’s Base Water
6 Right, as applied to an initially assumed Natural Safe Yield of 3,000 afy (subject to adjustment as
7 further study shall justify). For a Party producing under the Alternative Production Allocation,
8 the calculation shall be based upon the Base Water Right assigned to them in Table 1, infra, only
9 to the extent that Party has elected to convert all or part of an Alternative Production Allocation
10 into a Standard Production Allocation, pursuant to Section III.B.3.e.

11 22. “Operating Yield Over-Production” means pumping of Native Water by Producers
12 in excess of their Standard Production Allocation or Alternative Production Allocation, as
13 discussed in Section III.L.3.j.iii.

14 23. “Person” or “Persons” includes individuals, partnerships, associations,
15 governmental agencies and corporations, and any and all types of entities.

16 24. “Physical Solution” means the efficient and equitable management of
17 Groundwater resources within the Seaside Basin, as prescribed by this Decision, to maximize the
18 reasonable and beneficial use of Water resources in a manner that is consistent with Article X,
19 Section 2 of the California Constitution, the public interest, and the basin rights of the Parties,
20 while working to bring the Production of Native Water to Natural Safe Yield.

21 25. “Produce,” “Produced,” or “Production” means (1) the process of Extracting
22 Water or (2) the gross amount of Water Extracted.

23 26. “Producer” means a Party possessing a Base Water Rights.

24 27. “Production Allocation” is the amount of Groundwater that a Producer may
25 Produce from a Subarea of the Seaside Basin based on the Parties’ election to proceed under
26 either the Standard Production Allocation or the Alternative Production Allocation set forth in
27 Sections III.B.2 and III.B.3, respectively.

28

1 28. “Replenishment Assessment” means an assessment levied by the Watermaster
2 per each acre-foot of Over-Production against each party Over-Producing Groundwater in the
3 previous Water Year. The amount of the assessment shall be sufficient to cover the cost of
4 Artificial Replenishment in an amount necessary to off-set that Producer’s Over-Production, and
5 levied as provide in Section III.L.3.j.iii. The assessment must of necessity be initially determined
6 based upon the estimated cost of providing Non-Native water to replenish the Basin, as
7 determined by the Watermaster.

8 29. “Seaside Basin” is the underground water basin or reservoir underlying the
9 Seaside Basin Area, the exterior boundaries of which are the same as the exterior boundaries of
10 the Seaside Basin Area.

11 30. “Seaside Basin Area” is the territory depicted in Exhibit B to this Decision.

12 31. “Spreading” means a method of introducing Non-Native Water into the Seaside
13 Basin whereby Water is placed in permeable impoundments and allowed to percolate into the
14 Seaside Basin.

15 32. “Standard Production Allocation” is the amount of Groundwater that a Producer
16 participating in this allocation method may Produce from a Subarea of the Seaside Basin as
17 provided in Section III.B.2, which is determined by multiplying the Base Water Right by the
18 Operating Yield.

19 33. “Storage” means the existence of Stored Water in the Seaside Basin.

20 34. “Storage Allocation” means that quantity of Stored Water in acre feet that a
21 Party is allowed to Store in the Coastal Subarea or the Laguna Seca Subarea at any particular
22 time.

23 35. “Storage Allocation Percentage” means the percentage of Total Usable Storage
24 Space allocated to each Producer proceeding under the Standard Production Allocation.
25 Producers proceeding under the Alternative Production Allocation are not allocated Storage rights
26 and, consequently, their share of the Total Usable Storage Space is apportioned to the Producers
27 proceeding under the Standard Production Allocation. Pursuant to the terms of Section III.B.3,
28 Parties proceeding under the Alternative Production Allocation enjoy a one-time right to change

1 to the Standard Production Allocation. Due to the recalculation of the Storage Allocation
2 Percentage necessitated when a Party changes to the Standard Production Allocation, the
3 Watermaster will maintain the up-to-date Seaside Basin Storage Allocation Percentages.

4 36. "Storage and Recovery Agreement" means an agreement between Watermaster
5 and a Party for Storage pursuant to Section III.L.3.j.xx.

6 37. "Store" and other variations of the same verb refer to the activities establishing
7 Stored Water in the Seaside Basin.

8 38. "Stored Water" means (1) Non-Native Water introduced into the Seaside Basin
9 by a Party or any predecessors-in-interest by Spreading or Directly Injecting that Water into the
10 Seaside Basin for Storage and subsequent Extraction by and for the benefit of that Party or their
11 successors-in-interest; (2) Groundwater within the Seaside Basin that is accounted for as a
12 Producer's Carryover; or (3) Non-Native water introduced into the Basin through purchases by
13 the Watermaster, and used to reduce and ultimately reverse Over-Production.

14 39. "Stored Water Credit" means the quantity of Stored Water augmenting the
15 Basin's Retrievable Groundwater Supply, which is attributable to a Party's Storage and further
16 governed by this Decision and a Storage and Recovery Agreement.

17 40. "Subarea(s)" means either the Laguna Seca Subarea or the Coastal Subarea.

18 41. "Total Useable Storage Space" means the maximum amount of space available
19 in the Seaside Basin that can prudently be used for Storage as shall be determined and modified
20 by Watermaster pursuant to Section III.L.3.j.xix, less Storage space which may be reserved by
21 the Watermaster for its use in recharging the Basin.

22 42. "Transfer" and other variations of the same verb refers to the temporary or
23 permanent assignment, sale, or lease of all or part of any Producer's Production Allocation,
24 Storage Allocation, Carryover Credits, or Stored Water Credits. Pursuant to Section III.B.3.,
25 Transfer does not include the use of Water on properties identified in Exhibit C for use under an
26 Alternative Production Allocation.

27 43. "Water" includes all forms of Water.

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1 44. “Watermaster” means the court-appointed Watermaster pursuant to Section
2 III.L. of this Decision for the purpose of executing the powers, duties, and responsibilities
3 assigned therein.

4 45. “Watermaster Rules and Regulations” means those rules and regulations
5 promulgated by the Watermaster consistent with the terms of this Decision.

6 46. “Water Year” means the twelve (12) month period from October 1st through
7 September 30th.

8 B. Physical Solution.

9 1. Groundwater Rights. The Parties have Produced Groundwater from the Seaside
10 Basin openly, notoriously, continuously, and without interruption, which Production has been
11 determined to be in excess of the Natural Safe Yield of the Seaside Basin and each of its
12 Subareas for more than five (5) years. Accordingly, Parties have accrued mutual prescriptive
13 rights and/or have preserved their overlying, appropriative, and prescriptive rights against further
14 prescription by self-help. These individual and competitive rights, whether mutually prescriptive,
15 appropriative or overlying rights, can be most efficiently exercised and satisfied by the
16 implementation of this Physical Solution and in the manner expressly set forth herein.

17 2. Standard Production Allocation. Each Producer is authorized to Produce its
18 Production Allocation within the designated Subarea in each of the first three Water Years.
19 Except for those certain Parties electing to proceed under the Alternative Production Allocation, as
20 set forth in Section III.B.3., each Producer’s Production Allocation for the first three Water Years
21 shall be calculated by multiplying its Base Water Right, as set forth in Table 1 below, by that
22 portion of the Operating Yield which is in excess of the sum of the Alternative Production
23 Allocations. The Operating Yield for the Seaside Basin, as a whole, is set at 5,600 acre feet
24 annually (afa). The Operating Yield for the Coastal Subarea is 4,611 afa, with 743 afa committed
25 to Alternative Production Allocations and 3,868 afa committed to Standard Production
26 Allocations. The Operating Yield for the Laguna Seca Subarea is 989 afa, with 644 afa
27 committed to Alternative Production Allocations and 345 afa committed to Standard Production
28 Allocations. The Operating Yield established here will be maintained for three (3) Water Years

1 from the date Judgment is granted or until a determination is made by the Watermaster, concurred
2 in by this Court, that continued pumping at this established Operating Yield will cause Material
3 Injury to the Seaside Basin or to the Subareas or will cause Material Injury to a Producer due to
4 unreasonable pump lifts. In the event of such Material Injury the Watermaster shall determine
5 the modified Operating Yield in accordance with the Principles and Procedures attached hereto as
6 Exhibit A, and through the application of criteria that it shall develop for this purpose.¹

7 Commencing with the fourth Water Year², and triennially thereafter the Operating Yield
8 for both Subareas will be decreased by ten percent (10%) until the Operating Yield is the
9 equivalent of the Natural Safe Yield unless:

- 10 a. The Watermaster has secured and is adding an equivalent amount of
11 Non-Native water to the Basin on an annual basis; or
- 12 b. The Watermaster has secured reclaimed water in an equivalent amount
13 and has contracted with one or more of the Producers to utilize said water in lieu
14 of their Production Allocation, with the Producer agreeing to forego their right to
15 claim a Stored Water Credit for such forbearance; or
- 16 c. Any combination of a and b which results in the decrease in Production
17 of Native Water required by this decision; or
- 18 d. The Watermaster has determined that Groundwater levels within the
19 Santa Margarita and Paso Robles aquifers are at sufficient levels to ensure a
20 positive offshore gradient to prevent seawater intrusion.

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22
23 ¹ If the Operating Yield changes, Standard Production Allocations will be calculated by multiplying the
24 portion of the changed Operating Yield committed to Standard Production Allocations by the Standard Producers'
25 Base Water Rights. This calculation will result in a remaining quantity of water already committed to Standard
26 Production Allocations (due to the Base Water Right percentages assigned to Alternative Producers but which are
27 not used to calculate the Standard Production Allocations), which will be further allocated to the Standard Producers
28 in proportion to their Base Water Rights until no quantity remains unallocated.

² As ordered by the Court at the January 12, 2007 hearing, the initial potential 10% reduction in Operating
Yield will occur, if at all, on January 1, 2009. The 10% reduction would apply to 75% of the Operating Yield,
because 25% of the Water Year would have already elapsed. Assuming the current Operating Yield of 5600 acre-
feet, the Basin-wide Operating Yield would be reduced to 5,180 acre-feet for the remainder of the Water Year.
Subsequent potential Operating Yield reductions would occur on the Water Year schedule set forth in the MMP.

TABLE 1³

Standard Production Allocations

Party:	Percentage of Operating Yield Coastal Subarea	
California American Water	77.55%	S
City of Seaside (Municipal)	6.36%	S
City of Seaside (Golf Courses)	10.47%	A
City of Sand City	0.17%	A
Granite Rock Company	0.60%	S
SNG	2.89%	A
D.B.O. Development No. 27	1.09%	S
Calabrese	0.27%	A
Mission Memorial Park	0.60%	A

460

Producer:	Percentage of Operating Yield for Laguna Seca Sec area	
California American Water Company	45.13%	
Pasadera Country Club	22.65%	A
Bishop	28.88%	A
York School	2.89 %	A
Laguna Seca County Park	0.45%*	A

989

* Because the County of Monterey has not joined in the Settlement Agreement and General Mutual Release, its right to Produce water will be governed by the provisions made for those Producers selecting Alternative Production Allocations.

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3. Alternative Production Allocation. The following Parties, which all assert overlying Groundwater rights, have chosen to participate in an Alternative Production Allocation: Seaside with regard to the Groundwater that it Produces for irrigation of its golf courses; Sand City, SNG, Calabrese, Mission Memorial, Pasadera, Bishop, York School, and Laguna Seca.

The Alternative Production Allocation provides the aforementioned Parties with a prior and paramount right over those Parties Producing under the Standard Production Allocation to

feet, the Basin-wide Operating Yield would be reduced to 3,7805,180 acre-feet for the remainder of the Water Year. Subsequent potential Operating Yield reductions would occur on the Water Year schedule set forth in the MMP.

³ Certain Parties including Seaside (Golf Courses), Sand City, SNG, Calabrese, Mission Memorial, Pasadera, Bishop and York School hold an Alternative Production Allocation in the fixed amount shown in Table 2. If any of these Parties subsequently elects to convert to the Standard Production Allocation, then the Base Water Right shown in Table 1 for such converting Party will be used to determine that Party's Standard Production Allocation consistent with the terms provided in Section III.B.3.e.

1 subject to any reductions under Section III.B.2 or at such times as the Watermaster determines to
2 reduce the Operating Yield in accordance with Section III.L.3.j.ii., subject to the following terms:

3 a. The Alternative Production Allocation may not be transferred for use on
4 any other property, but shall be limited to use on the respective properties (including subdivisions
5 thereof) identified in Exhibit C;

6 b. The Party electing the Alternative Production Allocation may not establish
7 Carryover Credits or Storage rights;

8 c. The Party electing the Alternative Production Allocation is obligated to
9 adopt all reasonably Feasible Water conservation methods, including methods consistent with
10 generally accepted irrigation practices;

11 d. In the event a Party electing the Alternative Production Allocation is
12 required to utilize reclaimed Water for irrigation purposes, pursuant to the terms of sections
13 13550 and 13551 of the California Water Code, that Party shall have the first opportunity to
14 obtain and substitute reclaimed Water for its irrigation demands. Should that Party not pursue
15 such substitution with due diligence, any other Party may provide reclaimed Water for the
16 irrigation purpose pursuant to the terms of sections 13550 and 13551 of the California Water
17 Code. Under either circumstance, the Party providing the reclaimed Water for substitution shall
18 obtain a credit to Produce an amount of Groundwater equal to the amount of substituted
19 reclaimed Water in that particular Water Year, provided that such credit shall be reduced
20 proportionately to all reductions in the Operating Yield in accordance with Section III.L.3.j.ii.
21 The Alternative Production Allocation of the Party utilizing the reclaimed Water shall be debited
22 in an amount equal to the reclaimed Water being substituted.

23 e. In the event that this Court, the Watermaster, or other competent
24 governmental entity requires a reduction in the Extraction of Groundwater from the Seaside Basin
25 or either of its Subareas, then Parties exercising a Standard Production Allocation in the affected
26 subarea shall reduce their Groundwater Extractions *pro rata* to accommodate the required
27 reduction. Only after such Parties exercising a Standard Production Allocation reduce their
28 Extractions to zero, may Parties exercising an Alternative Production Allocation in the affected

1 subarea be required to reduce their Groundwater Extractions. In such case, those Parties
2 exercising an Alternative Production Allocation shall reduce their pumping in an amount
3 correlative to each other in accordance with the California law pertaining to allocation of rights to
4 Overdrafted Groundwater basins between overlying landowners.

5 **TABLE 2**
6 **Alternative Production Allocations**

7

Party:	Coastal Subarea
Seaside (Golf Courses)	540 afa
SNG	149 afa
Calabrese	14 afa
Mission Memorial	31 afa
Sand City	9 afa

8
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11

Producer:	Alternative Production Allocation
Pasadera	251 afa
Bishop	320 afa
York School	32 afa
Laguna Seca County Park	41 afa*

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13
14

15 * The County of Monterey possesses certain water rights based upon its use of water from the
16 aquifer for maintenance of Laguna Seca Park. Its historic Production of Groundwater has
17 averaged 41 afy. It has not joined in the stipulation of the other Producers, but is entitled to draw
18 up to 41 afy from the Laguna Seca Subarea as if it were a party to the Alternative Production
19 Allocations.

20 At any time prior to the expiration of the initial three-year operating period of this
21 Decision, as designated in Section III.B.2, any of the aforementioned Parties, except the County
22 of Monterey, may choose to change all or a portion of their Alternative Production Allocation to
23 the Standard Production Allocation method set forth in Section III.B.2 and shall be entitled to all
24 of the privileges associated with said Production Allocation as set forth herein (e.g.,
25 transferability, Storage rights, and Carryover rights). A Party choosing to change to the Standard
26 Production Allocation shall do so by filing a declaration with the Court, and serving said
27 declaration on all other parties. Once a Party chooses to change to the Standard Production
28 Allocation method set forth in Section III.B.2, that Party shall not be allowed to thereafter again
choose to participate in the Alternative Production Allocation. The Parties under the Standard

1 Production Allocation shall not be allowed at any time to change from the Standard Production
2 Allocation to the Alternative Production Allocation.

3 C. Production of Brackish Water. Sand City shall have the right to Produce Brackish Water
4 from the brackish Groundwater aquifer portion of the Coastal Subarea of the Seaside Basin for
5 the purpose of operating its proposed desalinization plant, said Production being limited to the
6 Aromas Sands Formation, so long as such Production does not cause a Material Injury. Upon
7 receiving a complaint supported by evidence from any Party to this Decision that the Production
8 of Brackish Water by Sand City is causing a Material Injury to the Seaside Basin or to the rights
9 of any Party to this Decision as set forth herein, the Watermaster shall hold a noticed hearing.

10 The burden of proof at such hearing shall be on the Party making the complaint to show, based
11 on substantial evidence, that the Production of Brackish Water by Sand City is causing a Material
12 Injury. If the Watermaster determines, based on substantial evidence, that the Production of
13 Brackish Water by Sand City is causing a Material Injury to the Seaside Basin or to the rights of
14 any Party to this Decision as set forth herein, the Watermaster may impose conditions on such
15 Production of Brackish Water that are reasonably necessary to prevent such Material Injury.

16 D. Injunction of Unauthorized Production. Each Producer is prohibited and enjoined from
17 Producing Groundwater from the Seaside Basin except pursuant to a right authorized by this
18 Decision, including Production Allocation, Carryover, Stored Water Credits, or Over-Production
19 subject to the Replenishment Assessment. Further, all Producers are enjoined from any Over-
20 Production beyond the Operating Yield in any Water Year in which Watermaster has declared
21 that Artificial Replenishment is not available or possible.

22 E. No Abandonment. It is in the interest of reasonable beneficial use of the Seaside Basin
23 and its Water supply, that no Producer be encouraged to take and use more Water in any Water
24 Year than is actually required, Therefore, failure to Produce all of the Water to which a Producer
25 is entitled hereunder for any amount of time shall, in and of itself, not be deemed to be, or
26 constitute an abandonment of such Producer's Base Water Right or Production Allocation, in
27 whole or in part. The Water unused by any Party (either as Production or Carryover) will
28

1 otherwise contribute to the ongoing efficient administration of the Decision and the Physical
2 Solution.

3 F. Right to Carryover Unused Production Allocation; Carryover Credits. Except for those
4 certain Parties electing to proceed under the Alternative Production Allocation, as set forth in
5 Section III.B.3., for the first three Water Years each Producer who, during a particular Water
6 Year, does not Extract from the Basin a total quantity equal to such Producer's Standard
7 Production Allocation for the particular Water Year may establish Carryover Credits, up to the
8 total amount of that Producer's Storage Allocation; provided, however, in no circumstance may
9 the sum of a Producer's Storage Credits and Carryover Credits exceed that Producer's available
10 Storage Allocation. Use (Extraction) of Carryover Credits shall be governed as otherwise
11 provided in this Decision and the Watermaster Rules and Regulations. In consideration of the
12 Seaside Basin's hydrogeologic characteristics, the Watermaster may discount the quantity of
13 Water that may be Extracted pursuant to a Carryover Credit.

14 G. Damages and Prohibition on Enjoining Municipal Pumping. The Parties recognize that
15 California American's pumping is for municipal purposes, including drinking Water supplies for
16 most of the Monterey Peninsula, including within all of the Defendant Cities and to all of the
17 Defendant landowners. In this context, if California American's Groundwater pumping causes
18 an "Intrusion" upon a Water User Defendant's Production Allocation, then it shall compensate
19 the Water User Defendant for damages caused by this Intrusion. An "Intrusion" occurs when a
20 Water User Defendant exercising an Alternative Production Allocation is directed by the
21 Watermaster, this Court or any other competent governmental entity to reduce its Groundwater
22 pumping to a level below that Water User Defendant's Alternative Production Allocation, while
23 California American continues pumping Groundwater from the same subarea. This damages
24 provision does not alter the priority of the Alternative Production Allocation over the Standard
25 Production Allocation pursuant to Section III.B.3, and is intended to address potential exigent
26 circumstances that might arise regarding California American's municipal water service.

27 1. Damages from an Intrusion shall be calculated based upon the losses incurred by
28 the Water User Defendant that are caused by the Intrusion. These losses may include the loss of

1 crop yield and associated income, measured against the average achieved over the preceding five
2 (5) years from the date of the loss. Where an Intrusion occurs with respect to a Water-User
3 Defendant's exercise of an Alternative Production Allocation for golf course irrigation (i.e., an
4 Intrusion to a "Golf Course Water User"), the Intrusion may cause discoloration, thinning and
5 damage to the golf course turf and may require replacement of golf course turf and other golf
6 course landscaping. Such conditions may, in turn, cause the loss of income from reduced golf
7 course facilities usage and loss of good will. It may be difficult to quantify such damages to a
8 sum certain. Accordingly, where a Golf Course Water User demonstrates that an Intrusion
9 caused discoloration, thinning or loss of golf course turf, the following criteria shall be utilized to
10 determine damages for an Intrusion to a Golf Course Water User.

11 a. Lost Income.

12 i. The Golf Course Water User's "Average Gross Annual Income"
13 shall be determined by summing its gross annual income from each of the five (5) years
14 preceding the year of the Intrusion and dividing that sum by five, except where a Golf Course
15 Water User (Pasadera) has not been in operation for seven (7) years at the time of the Intrusion,
16 the Average Gross Annual Income shall be determined by summing the gross annual income
17 from each of the three years preceding the year of the Intrusion and dividing that sum by three;

18 ii. The Golf Course Water User's gross annual income during the
19 year of an Intrusion shall be subtracted from its Average Gross Annual Income, with the resulting
20 difference constituting the amount of lost income damages for that year of Intrusion; and

21 iii. If an Intrusion occurs in two or more years within a five-year
22 period, damages shall be calculated using an Average Gross Annual Income based on the last
23 consecutive five-year period preceding the first year of Intrusion, or if a Golf Course Water User
24 (i.e., Pasadera) has not been in operation for a full seven (7) years at the time of the Intrusion,
25 damages shall be calculated using an Average Gross Annual Income based on the last consecutive
26 three-year period proceeding the first year of Intrusion. Gross Annual Income shall not be
27 calculated based upon a year in which an Intrusion occurred.

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1 iv. Water User Defendants shall make Feasible efforts to mitigate
2 damages caused by an Intrusion (e.g., including use of evapotranspiration rates to schedule turf
3 grass irrigation).

4 b. Property Damage/Out-of-Pocket Repair Costs.

5 i. Actual costs of repairing and/or-replacing golf course turf and/or other
6 golf course landscaping and associated labor costs shall be added to the lost income damages
7 calculated as set forth in subparagraph (1), above.

8 ii. The Golf Course Water User shall make Feasible efforts to
9 mitigate damages by employing the best irrigation practices, including use of evapotranspiration
10 rates to schedule turf grass irrigation.

11 2. A damages Claim with all substantiating gross annual income data shall be
12 provided to California American within 120 days after December 31 of the year in which the
13 Intrusion occurred. California American shall accept or reject the Claim within 30 days
14 thereafter. If within 35 days after receipt of a Claim, California American fails to notify the
15 claimant of California American's acceptance or rejection of that Claim, such Claim is deemed
16 accepted. If the Claim is affirmatively accepted, payment will be made at the time of Claim
17 acceptance. If the Claim is deemed accepted by California American's failure to timely accept or
18 reject the Claim, payment will be made within 30 days after the date the Claim is deemed
19 accepted. If the Claim is rejected, all or in part, the Water User Defendant may proceed to a
20 hearing before the Court to determine the appropriate damages, considering the above referenced
21 criteria. The hearing shall be by motion with all supporting documentation and contest thereto
22 submitted and supported by declaration.

23 H. Allowed Storage.

24 1. Public Resource. Underground Storage within the Seaside Basin is and shall
25 remain a public resource. Subject to this paramount public right, the Parties hereto shall be
26 permitted to utilize available Storage space for bona fide Groundwater Storage projects. This use
27 shall be subject to the supervision of the Watermaster and this Court and shall be governed by the
28 following more specific provisions.

1 2. In General. Except for those certain Parties electing to proceed under the
2 Alternative Production Allocation as set forth in Section III.B.3., each Producer is entitled to
3 Store Water in the Basin as provided for in this Decision and Watermaster's Rules and
4 Regulations up to the amount of their Storage Allocation. Each Producer's Allowed Storage
5 Allocation in each Subarea shall be calculated by multiplying its Storage Allocation Percentage by
6 the Total Useable Storage Space, less space reserved by the Watermaster as herein below set
7 forth. The initial Storage Allocation Percentages are equal to the Base Water Rights, Table 1, less
8 Storage reserved for the Watermaster and certain public agencies. Parties with an Alternative
9 Production Allocation are entitled to their Storage Production Allocation when they elect to
10 change to Standard Production Allocation

11 3. California American Storage Allocation. All Storage Allocation held by
12 California American shall be held in trust by California American: (i) first for the benefit of
13 California American's retail Water service customers within its service territory on the Monterey
14 Peninsula and the County of Monterey and cities within its service territory which it serves; and
15 (ii) then for other purposes as California American deems appropriate. In the event of a reduction
16 in service from the Seaside Basin, California American will allocate service, including that which
17 is associated with its Storage Allocation, in a manner that is consistent with and proportionate to
18 its historic deliveries to all then current customers. Further, to the extent that California American
19 has excess Storage Allocation available after meeting its responsibilities to its retail Water service
20 customers within its service territory on the Monterey Peninsula and the cities which it serves,
21 upon request by the County of Monterey, Monterey, Seaside, Sand City, or Del Rey Oaks,
22 California American shall make available portions of its Storage Allocation within the Coastal
23 Subarea for use by the requesting city in the Coastal Subarea as provided herein. Specifically, the
24 city's request shall be made in writing and generally describe the public purpose and proposed
25 use of the Storage Allocation by the requesting city. California American shall not deny the
26 request unless making the requested portion of the Storage Allocation available to the city would
27 unreasonably interfere with California American's ability to operate its system or to otherwise
28 provide service to its customers. Should California American not be able to accommodate all

1 requests by all cities without unreasonably interfering with its operations and service
2 responsibilities, first priority to excess Storage Allocation shall be given to each respective city
3 requesting the use of a portion of the Storage Allocation up to an amount equal to the percentage
4 that the total quantity of Water delivered by California American for retail service to the
5 requesting city bears to the total quantity of Water delivered to all cities at the date the Decision
6 is entered. Notwithstanding the paramount rights of each city described in this section, 5 percent
7 of any Storage Allocation held in trust by California American will be reserved for *de minimis*
8 Storage opportunities and made available for the benefit of any requesting city on the basis of
9 first in time, first in right. Additionally, provision of Storage Allocation by California American
10 to a requesting city shall not be construed as a waiver of California American's rights under
11 section 1501 et seq. of the California Public Utilities Code or consent to duplication of its retail
12 Water service. Moreover, California American shall not charge any fee for use of its Storage
13 Allocation by Monterey, Seaside, Sand City, or Del Rey Oaks. However, the capital or other
14 value of California American's Storage Allocation shall belong to California American. Finally,
15 no city may request use of California American's Storage Allocation unless it has first used all of
16 its own Storage Allocation as provided herein.

17 4. Determination of Total Useable Storage Space. Watermaster shall determine and
18 declare the Total Useable Storage Space in the Basin, and may annually adjust the Total Useable
19 Storage Space pursuant to Section III.L.3.j.xix of this Decision. If and when Watermaster
20 adjusts the Total Useable Storage Space in the Basin, each Producer's Storage Allocation shall be
21 adjusted accordingly.

22 Each Storage Allocation is of the same legal force and effect, and each is without priority
23 with reference to any other Producer's Storage Allocation. Watermaster shall, however, consider
24 each proposal to Store Water independently pursuant to Section III.L.3.j.xx.

25 5. Carryover. Each Producer operating under the Standard Production Allocation
26 shall have the right to use their respective Storage Allocation to Store any Carryover Water
27 subject to the provisions of this Decision. Unused (not Extracted) Stored Water Credits and
28 Carryover Credits shall be carried over from year to year for the first three Water Years.

1 Thereafter Carryover Water withdrawal is subject to a percentage decrease consistent with
2 percentage decreases in the Operating Yield, according to the terms of this Decision. Due to the
3 hydrogeologic characteristics of the Seaside Basin, naturally occurring losses of stored Water
4 may require Watermaster to discount the percentage of Stored Water that may be Extracted.
5 Watermaster shall study the efficiencies of Storage in the Seaside Basin and set a uniform
6 percentage for withdrawals of Stored Water.

7 6. Injection and/or Spreading. Each Producer operating under the Standard
8 Production Allocation, and the Watermaster, and certain public agencies, shall have the right to
9 Store Water by Direct Injection, Spreading, or other artificial means so long as such Storage does
10 not cause Material Injury to any other Party. Except as provided in Section III.H.5., no Producer
11 herein granted a Storage Allocation may Store Water in the Seaside Basin without first executing
12 a Storage and Recovery Agreement with Watermaster, pursuant to Section III.L.3.j.xx. Each
13 Storage and Recovery Agreement shall further define the terms and conditions by which a
14 Producer may exercise its Storage Allocation and associated Stored Water Credits.

15 I. Injunction Against Unauthorized Storage. Each Producer is enjoined and restrained from
16 Carrying Over or Storing any quantity of Water in the Seaside Basin greater than that Producer's
17 Storage Allocation. Further, each Producer is enjoined from Storing any Water in the Seaside
18 Basin except as provided in Section III.H.5. (establishment of Carryover Credits) or as
19 authorized by a Storage and Recovery Agreement issued by Watermaster pursuant to Section
20 III.L.3.j.xx.

21 J. Measurement of Extractions and Storage. All Producers shall install, maintain, and use
22 adequate measuring devices on all Groundwater Production facilities as directed by Watermaster
23 and report accurate measurements of all Groundwater Produced from the Seaside Basin in the
24 manner required by Watermaster's Rules and Regulations. Such measuring devices shall not
25 conflict with any monitoring devices required by MPWMD. All Producers shall comply with the
26 provisions for measurement of any Storage of Water in the Seaside Basin, as provided in
27 Watermaster's Rules and Regulations, and as may be further provided for in a Storage and
28 Recovery Agreement issued by Watermaster for such Storage.

1 K. Order of Accounting for the Production of Groundwater. Unless otherwise requested by
2 a Producer in writing to Watermaster, Watermaster shall account for all Production of Water
3 form the Seaside Basin by a Producer in any Water Year as follows: Production shall first be
4 deemed Production of that Producer's Production Allocation up to that Producer's total
5 Production Allocation, and thereafter shall be deemed Production of that Producer's Carryover
6 Credits, if any, and thereafter shall be deemed Production of that Producer's Stored Water
7 Credits, if any. So long as consistent with this section, Watermaster may prescribe
8 administrative rules within its Rules and Regulations concerning the method and manner of
9 accounting for the Production of Groundwater.

10 L. Appointment of Watermaster; Watermaster Administrative Provisions.

11 1. Establishment of Watermaster. A Watermaster shall be established for the
12 purposes of administering and enforcing the provisions of this Decision and any subsequent
13 instructions or orders of the Court. The Watermaster shall consist of thirteen (13) voting
14 positions held among nine (9) representatives. California American, Seaside, Sand City,
15 Monterey, and Del Rey Oaks shall each appoint one (1) representative to Watermaster for each
16 two-year term of Watermaster. The Landowner Group shall appoint two (2) representatives to
17 Watermaster for each two-year term of Watermaster. The MPWMD shall have one (1)
18 representative and the MCWRA shall have one (1) representative. The representatives elected to
19 represent the Landowner Group shall include one (1) representative from the Coastal Subarea and
20 one (1) representative from the Laguna Seca Subarea. The California American representative
21 shall possess three (3) voting positions; the Seaside, MPWMD, and MCWRA representatives
22 shall each possess two (2) voting positions; and every other representatives shall possess one (1)
23 voting position. Each representative from the Landowner Group shall carry one-half of the
24 Landowner Representative vote. Each representative under the Landowner Group may also act as
25 an alternate for the other.

26 The right to assign a representative to Watermaster and the representative's respective
27 voting power shall only transfer upon permanent sale of 51 percent or more of the Party's Base
28 Water Right, but not upon the lease of any portion of the member's Base Water Right.

1 2. Quorum and Agency Action. A minimum of six (6) representatives shall be
2 required to constitute a quorum for the transaction of Watermaster affairs. Unless otherwise
3 provided herein, the affirmative vote of seven (7) voting positions shall be required to constitute
4 action by Watermaster.

5 3. Qualification, Nomination, Election, and Administrative Procedures.

6 a. Qualification. Any duly authorized agent of the entities or groups
7 provided for in Section III.L.1. is qualified to serve as a representative on the Watermaster board.

8 b. Term of Office. Each new Watermaster board shall assume office at the
9 first regular meeting in January of every second year. Each Watermaster board member shall
10 serve for a two-year term, subject to the retained jurisdiction of the Court. Should a vacancy arise
11 on the Watermaster board for any reason, the respective entity or group from which that vacancy
12 arises shall appoint a replacement representative in the manner prescribed by Watermaster Rules
13 and Regulations. Such replacement shall complete the remainder of the term of the vacated
14 office. Within 30 days of the appointment of any new Watermaster board member, any Party
15 may file a motion with the Court challenging the appointment. The Court, acting *sua sponte*, may
16 reject any Watermaster board appointment within the 30-day period. Challenges shall be based
17 on allegations that the appointed board member does not possess the requisite skills necessary to
18 effectively serve as a member of the Watermaster board.

19 c. Nomination and Election of Landowner Representative. The nomination
20 and election of the Landowner Group representatives shall occur in November of every second
21 year in the manner designated by Watermaster Rules and Regulations. The nomination and
22 election of the Landowner Group representatives shall be by cumulative voting with each member
23 of the Landowner Group entitled to one (1) vote for each acre-foot of annual entitlement under
24 the member's Alternative Production Allocation. Voting rights may only be transferred upon
25 permanent sale of 51 percent or more of the Landowner Party's Base Water Right.

26 d. Organization. At the first meeting of each newly comprised Watermaster
27 board, the Watermaster shall elect a chairman and a vice-chairman from its membership. It shall
28

1 also select a secretary, a treasurer and such assistant secretaries and assistant treasurers as may be
2 appropriate, any of whom may, but need not, be representatives appointed to Watermaster.

3 e. Minutes. Minutes of all Watermaster meetings shall be kept and shall
4 reflect a summary of all actions taken by the Watermaster. Copies thereof shall be furnished to
5 all Parties and interested Persons as provided for in Section III.P.2. Copies of minutes shall
6 constitute notice of any Watermaster action therein reported.

7 f. Regular Meetings. The Watermaster shall hold regular meetings at places
8 and times to be specified in the Watermaster Rules and Regulations. Its first meeting must be
9 held within 15 days from the date Judgment is granted in this case. Notice of the scheduled or
10 regular meetings of the Watermaster and of any changes in the time or place thereof shall be
11 mailed to all Parties and interested Persons as provided for in Section III.P.2.

12 g. Special Meetings. Special meetings of the Watermaster may be called at
13 any time by the chairman or vice chairman or by any three (3) representatives appointed to
14 Watermaster by written notice delivered personally or mailed to all Parties and interested Persons
15 as provided for in Section III.P.2., at least twenty-four (24) hours on a business day before the
16 time of each such meeting in the case of personal delivery, and five (5) days' notice prior to such
17 meeting in the case of mail if the special meeting is being called under urgent circumstances. If a
18 special meeting is called and no urgent circumstance exists, then at least ten (10) days' notice
19 must be provided to all Parties. The notice shall specify the time and place of the special meeting
20 and the business to be transacted at such meeting.. No other business shall be considered at such
21 meeting.

22 h. Meeting Procedures. Watermaster shall designate the procedure for
23 conducting meetings within its Rules and Regulations. Rules and regulations for conducting
24 meetings shall conform to the procedures established for meetings of public agencies pursuant to
25 the California Open Meetings Law ("Brown Act"), California Government Code section 54950
26 et seq., as it may be amended from time to time.

27 i. Appointment of the Initial Watermaster Board. The initial Watermaster
28 board, which shall take office immediately from the date Judgment is granted, shall be composed

1 of the duly authorized representatives of California American, Seaside, Sand City, Del Rey Oaks,
2 Monterey, MCWRA, MPWMD, and two individuals to be designated by the landowners as the
3 initial representatives of the Landowner Group for the Coastal and Laguna Seca Subareas,
4 respectively.

5 j. Duties, Powers and Responsibilities of the Watermaster. To assist the
6 Court in the administration and enforcement of the provisions of this Decision, the Watermaster
7 shall have and is limited to the following duties, powers, and responsibilities:

8 i. Preparation of Monitoring and Management Plan. Within sixty
9 (60) days from the date Judgment is granted, Watermaster will prepare a comprehensive
10 monitoring and management plan for the Seaside Basin ("Monitoring and Management Plan").
11 The Monitoring and Management Plan must be consistent with the criteria set forth in Exhibit A.

12 ii. Declaration of Operating Yield. Based upon the evidence at trial
13 concerning historic Production in the Basin, the Court sets the Operating Yield for the Seaside
14 Basin, as a whole, as 5,600 acre feet. The Operating Yield for the Coastal Subarea is 4,611 acre
15 feet and 9889 acre feet for the Laguna Seca Subarea. The Operating Yield established here will
16 be maintained for three (3) years from the date Judgment is granted, or until a determination is
17 made by the Watermaster, concurred in by this Court, that continued pumping at this established
18 Operating Yield will cause Material Injury to the Seaside Basin or to the Subareas or will cause
19 Material Injury to a Producer due to unreasonable pump lifts. In that event, the Watermaster shall
20 determine the modified Operating Yield in accordance with the Principles and Procedures
21 attached hereto as Exhibit A, and through the application of criteria that it shall develop for this
22 purpose.

23 iii. Artificial Replenishment and Replenishment Assessments. Each
24 Water Year, the Watermaster will determine a Replenishment Assessment for Artificial
25 Replenishment of the Seaside Basin necessary to offset the cumulative Basin Over-Production
26 (as defined in Section III.A.21.), and levy a Replenishment Assessment. Said Replenishment
27 Assessment does not apply to Production under an Alternative Production Allocation so long as
28 such Production is within the fixed amount established for that Producer in Table 2 of

1 Section III.B.3. Funds so generated may be accumulated for multiple Water Years, if necessary,
2 and shall be utilized solely for replenishment of the Basin Groundwater supply with Non-Native
3 water.

4 An additional Watermaster Replenishment Assessment shall be levied after the close of
5 each Water Year against all Producers that incurred Operating Yield Over-Production during the
6 Water Year. Said assessment shall be in addition to the Replenishment Assessment addressed in
7 Section III.A.21. The Replenishment Assessment based upon Operating Yield Over-Production
8 shall be levied against the Parties participating in the Alternative Production Allocation for only
9 such Production that exceeds the Parties' respective fixed Alternative Production Allocation
10 identified on Table 2. In the event Watermaster cannot procure Artificial Replenishment Water to
11 offset Operating Yield Over-Production during the ensuing Water Year, the Watermaster shall so
12 declare in December and no Operating Yield Over-Production then in effect may occur during the
13 ensuing Water Year. Funds generated by the Operating Yield Over-Production Assessment shall
14 be utilized by the Watermaster to engage in or contract for Replenishment of the Operating Yield
15 Over-Production occurring in the Preceding Water Year as expeditiously as possible.

16 Replenishment Assessments based on Over-Production and on Operating Yield Over-
17 Production shall be assessed within 60 days of the end of each Water Year on a per acre-foot
18 basis on each acre-foot, or portion of an acre-foot, of Over-Production, and payment shall be due
19 no later than January 15th of the following year. The per acre-foot amount of the Replenishment
20 Assessments shall be determined and declared by Watermaster in October of each Water Year in
21 order to provide Parties with advance knowledge of the cost of Over-Production in that Water
22 Year.

23 Payment of the Replenishment Assessment shall be made by each Producer incurring a
24 Replenishment Assessment within 40 days after the mailing of a statement for the Replenishment
25 Assessment by Watermaster. If payment by any Producer is not made on or before said date, the
26 Watermaster shall add a penalty of 5 percent thereof to such Producer's statement. Payment
27 required of any Producer hereunder may be enforced by execution issued outside of this Court,
28 by order of this Court, or by other proceedings by the Watermaster or by any Producer on the

1 Watermaster's behalf. All proceeds of Replenishment Assessments shall be used to procure
2 Non-Native water, including, if appropriate, substitute reclaimed water.

3 iv. Budget Assessments. The Watermaster budget for each Fiscal
4 Year, and for the initial funding of the Monitoring and Management Plan, shall be funded by
5 Budget Assessments. The Watermaster budget will be composed of three separate budgets. The
6 first budget is solely for the funding of the Monitoring and Management Plan. The initial, one-
7 time funding for the Monitoring and Management Plan shall not be in excess of \$1,000,000. The
8 annual budget for the Monitoring and Management Plan shall not be in excess of \$200,000 for
9 the first Fiscal Year, and thereafter as determined by the Watermaster. The Budget Assessment
10 for the Monitoring and Management budget shall be assessed against each Producer (except
11 those in the Landowner Group) by multiplying the amount of the Monitoring and Management
12 Plan budget for the ensuing Fiscal Year by the following percentages:

13	(1)	California American	91%
14	(2)	City of Seaside	7%
15	(3)	Granite Rock Company	1%
16	(4)	D.B.O. Development No. 27	1%

17 At such times as a Party within the Coastal Subarea chooses to change its Alternative Production
18 to a Standard Production Allocation that Party will be assessed a proportionate share of the
19 Budget Assessment for the Monitoring and Management Plan Budget based upon a modification
20 of the percentages to include any new Standard Production.

21 The administrative budget shall be fixed at \$100,000 annually for the first Fiscal Year, and
22 thereafter as determined by the Watermaster. The Budget Assessment for the administrative
23 budget shall be assessed against each Producer (except those inn the Landowner Group) by
24 multiplying the amount of the budget for the ensuing Fiscal Year by the following percentages:

25	(1)	California American	83%
26	(2)	City of Seaside	14.4%
27	(3)	City of Sand City	2.6%

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1 The Replenishment Budget shall be calculated based upon the anticipated cost of
2 obtaining replenishment water, and shall be assessed as set forth in Section III.A.21, and in
3 Section III.L.3.j.iii.

4 Except for the initial Budget Assessment which shall be due 30 days from the date
5 Judgment is granted, payment of the Administrative Assessment and the Monitoring and
6 Management Assessment, subject to any adjustment by the Court as provided in Section III.N.,
7 shall be made on or before January 15th of the Fiscal Year for which the assessments have been
8 levied. If such payment by any Producer is not made on or before said date, the Watermaster
9 shall add a penalty of 5 percent thereof to such Producer's statement. Payment required of any
10 Producer hereunder may be enforced by execution issued outside of this Court, by order of this
11 Court, or by other proceedings by the Watermaster or by any Producer on the Watermaster's
12 behalf.

13 v. Reports, Information, and Records. The Watermaster will require
14 Parties to furnish such reports, information, and records as may be reasonably necessary to
15 determine compliance or lack of compliance by any Party with the provisions of this Decision.

16 vi. Requirement of Measuring Devices. The Watermaster will
17 require all Parties owning or operating any Groundwater Extraction and/or Storage facilities to
18 install appropriate Water measuring devices, and to maintain said Water measuring devices at all
19 times in good working order at such Party's own expense. Such devices shall not interfere with
20 any measuring gauges required by MPWMD.

21 vii. Inspections by the Watermaster. The Watermaster will make
22 inspections of Water Production facilities and measuring devices at such times and as often as
23 may be reasonable under the circumstances, and to calibrate or test such devices.

24 viii. Collection of Arrears. The Watermaster will undertake any and all
25 actions necessary to collect the arrears of any Party with regard to any and all components of the
26 Budget Assessment and/or the Replenishment Assessment.

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1 ix. Hearing Objections; Review and Approvals. The Watermaster
2 will hear all objections and/or review and determine approval or denial of the action(s) of any
3 Party as provided for by any other provision of this Decision.

4 x. Annual Report. The Watermaster will prepare, file with the Court
5 and mail to each of the Parties on or before the 15th day of November, an annual report for the
6 preceding Water Year, the scope of which shall include but not be limited to the following:

- 7 • Groundwater Extractions;
- 8 • Groundwater Storage;
- 9 • Amount of Artificial Replenishment, if any, performed by Watermaster;
- 10 • Leases or sales of Production Allocation;
- 11 • Use of imported, reclaimed, or desalinated Water as a source of Water for
12 Storage or as a Water supply for lands overlying the Seaside Basin;
- 13 • Violations of the Decision and any corrective actions taken;
- 14 • Watermaster administration costs;
- 15 • Replenishment Assessments;
- 16 • All components of the Watermaster budget; and
- 17 • Recommendations.

18 xi. Annual Budget and Appeal Procedure in Relation Thereto. The
19 Watermaster will annually adopt a tentative budget for each Fiscal Year stating the anticipated
20 expense for administering the provisions of this Decision, including reasonable reserve funds.
21 The adoption of each Fiscal Year's tentative budget shall require the affirmative vote of seven (7)
22 voting positions. The Watermaster shall mail a copy of said tentative budget to each of the
23 Producers hereto at least 60 days before the beginning of each Fiscal Year. The Landowner
24 Group representative shall not participate in any vote concerning the approval of the Watermaster
25 budget. If any Producer hereto has any objection to said tentative budget, it shall present the
26 same in writing to the Watermaster within 15 days after the date of mailing of said tentative
27 budget by the Watermaster. If no objections are received within said period, the tentative budget
28 shall become the Final budget. If objections are received, the Watermaster shall, within 10 days

1 thereafter, consider such objections, prepare a Final budget, and mail a copy thereof to each
2 Producer, together with a statement of the amount assessed to each Producer (Administrative
3 Assessment). Any Producer may apply to the Court within 15 days after the mailing of such
4 Final budget for a revision thereof based on specific objections thereto in the manner provided in
5 Section III.N. The Producer challenging the budget shall make the payments otherwise required
6 of them to the Watermaster, despite the filing of the request for revision with the Court. Upon
7 any revision by the Court, the Watermaster shall either remit to the Producers their pro rata
8 portions of any reduction in the budget, or credit their accounts with respect to their
9 Administrative Assessment for the next ensuing Fiscal Year, as the Court shall direct. The
10 amount of each Producer's Budget Assessment shall be determined as provided in Section
11 III.L.3.j.iv.

12 Any money in Watermaster's budget not expended at the end of any Fiscal Year shall be
13 applied to the budget of the succeeding Fiscal Year.

14 xii. Rules and Regulations. The Watermaster will adopt and amend
15 from time to time such Rules and Regulations as may be reasonably necessary to carry out its
16 duties, powers and responsibilities under the provisions of this Decision. The Rules and
17 Regulations and any amendments thereto, shall be effective on such date after the mailing thereof
18 to the Parties as is specified by the Watermaster, but not sooner than thirty (30) days after such
19 mailing. The Watermaster shall adopt initial Watermaster Rules and Regulations within ninety
20 (90) days from the date Judgment is granted.

21 xiii. Acquisition of Facilities. The Watermaster may purchase, lease,
22 acquire and hold all necessary property and equipment as necessary to perform the duties,
23 powers, and responsibilities provided to Watermaster by this Decision; provided, however, that
24 Watermaster shall not acquire any interest in real property in excess of year-to-year tenancy for
25 necessary quarters and facilities.

26 xiv. Employment of Staff and Consultants. The Watermaster may
27 employ such administrative, engineering, geologic, accounting, legal, or other specialized
28 personnel or consultants as may be deemed appropriate to the carrying out of its duties, powers,

1 and responsibilities and to require appropriate bonds from all officers and employees handling
2 the Watermaster funds.

3 xv. Investment of Funds. The Watermaster may hold and invest any
4 and all funds that the Watermaster may possess in investments authorized from time to time for
5 public agencies in the State of California.

6 xvi. Borrowing. The Watermaster may borrow in anticipation of
7 receipt of assessment proceeds an amount not to exceed the annual amount of assessments levied
8 but uncollected.

9 xvii. Contracts. The Watermaster may enter into contracts for the
10 performance of any administrative power herein granted.

11 xviii. Cooperation with Public and Private Entities. The Watermaster
12 may act jointly or cooperate with any public or private entity to the end that the purposes of the
13 Physical Solution may be fully and economically carried out. Where it is more economical to do
14 so, Watermaster is directed to use such facilities of a public or private entity as are available to it
15 to execute the duties, powers, and responsibilities provided to Watermaster under this Decision.

16 xix. Declaration of Total Usable Storage Space. The Watermaster will
17 declare the Total Useable Storage Space and periodically issue adjustments to the same.

18 xx. Review of Storage Applications; Regulation of Storage; Issuance
19 of Storage and Recovery Agreements. The Watermaster will review applications for Storage in
20 the Seaside Basin, regulate the Storage of Non-Native Water in the Seaside Basin, and issue
21 Storage and Recovery Agreements, all as provided below. All applications for Storage in the
22 Seaside Basin shall be considered and voted on before a noticed meeting of the Watermaster.
23 However, all such applications shall be approved absent the issuance of findings that a Material
24 Injury to the Seaside Basin or Producers will or is likely to occur as a result of the proposed
25 Storage program and no reasonable conditions could be imposed to eliminate such risk. If a
26 Storage application is approved, the Watermaster shall issue a Storage and Recovery Agreement.
27 The Storage and Recovery Agreement may include, among other possible elements and/or
28 provisions, the following conditions to avoid Material Injury: (1) the quantity of Water authorized

1 to be Spread or Directly Injected into the Seaside Basin, (2) the location of the authorized
2 Spreading or Direct Injection, (3) the location(s) where the Water may be recaptured, (4) the
3 particular Water quality characteristics that are required pursuant to the Storage and Recovery
4 Agreement, (5) the amount of Water that may be recaptured pursuant to the Stored Water Credits
5 calculated by Watermaster, (6) any other terms and conditions deemed necessary to protect the
6 Seaside Basin and those areas affected by the Seaside Basin. Such Storage and Recovery
7 Agreements may provide for different locations for introduction and Extraction of Stored Water if
8 deemed appropriate by the Watermaster.

9 xxi. Monitoring and Study of the Seaside Basin and All Seaside Basin
10 Activities. The Watermaster will monitor and perform or obtain engineering, hydrogeologic, and
11 scientific studies concerning all characteristics and workings of the Seaside Basin, and all natural
12 and human-induced influences on the Seaside Basin, as they may affect the quantity and quality
13 of Water available for Extraction, that are reasonably required for the purposes of achieving
14 prudent management of the Seaside Basin in accord with the provisions of this Decision.

15 xxii. Relocation of Authorized Production Locations. The Watermaster
16 will order relocation of the authorized quantity of Production pursuant to any Producer's
17 Production Allocation from a specific location or from a specific aquifer within the same Subarea
18 of the Seaside Basin, provided that it allows equivalent Production from any other location/aquifer
19 in the Seaside Basin within the same Subarea that would not also create a reasonable potential for
20 Material Injury. Watermaster may only order relocation of Production after issuing findings that
21 a Material Injury has occurred or is likely to occur as a result of the then-authorized quantity and
22 geographic distribution of Production. Watermaster may not order the relocation of Production
23 by any Producer that is a member of the Landowner Group.

24 xxiii. Water Quality. The Watermaster will take any action within
25 the Seaside Basin, including, but not limited to, capital expenditures and legal actions, which in
26 the discretion of Watermaster is necessary or desirable to accomplish any of the following:
27
28

1 • Prevent contaminants from entering the Groundwater supplies
2 of the Seaside Basin, which present a significant threat to the Groundwater quality of the
3 Seaside Basin, whether or not the threat is immediate;

4 • Remove contaminants from the Groundwater supplies of the
5 Seaside Basin presenting a significant threat to the Groundwater quality of the Seaside Basin;

6 • Determine the existence, extent, and location of contaminants in, or
7 which may enter, the Groundwater supplies of the Seaside Basin;

8 • Determine Persons responsible for those contaminants; and

9 • Perform or obtain engineering, hydrologic, and scientific studies as
10 may be reasonably required for any of the foregoing purposes.

11 xxiv. Other Specified Powers Pursuant to Decision Terms. The
12 Watermaster will undertake any other powers, duties, or responsibilities provided through any
13 other provision of this Decision.

14 xxv. No Power to Alter Allocation or Rights. Watermaster has no
15 power to adjust any Producer's Base Water Right or the formula for determining Production
16 Allocation, except to accommodate the intervention of a new Party pursuant to Section III.O.1.b.
17 However, should an adjustment of Base Water Right and/or Production Allocation within a
18 Subarea be required to accommodate the intervention of a new Party, no adjustment shall be made
19 to the Base Water Right or Production Allocations possessed by any Party operating under the
20 Alternative Production Allocation within the Landowner Group until the Production Allocations
21 for that Subarea possessed by Parties operating under the Standard Production Allocation have
22 been reduced to zero.

23 xxvi. Effect of Non-Compliance by Watermaster With Time
24 Provisions. Failure of the Watermaster to perform any duty, power or responsibility set forth
25 in this Decision within the time limitation herein set forth shall not deprive the Watermaster
26 of authority to subsequently discharge such duty, power, or responsibility, except to the extent
27 that any such failure by the Watermaster may have rendered some otherwise required act by a
28 Party impossible.

1 Commission ("CPUC"). Accordingly, California American will not be considered in default
2 under this Section III.M.1 if it uses reasonable best efforts to obtain the required approvals
3 and authorizations.

4 d. Credit Toward Replenishment Assessment. California American's
5 expenditures for water supply augmentation may also provide replenishment water for the
6 Basin. Accordingly, on an annual basis, California American will provide the Watermaster
7 with an accounting of all expenditures it has made for water supply augmentation that it
8 contends has or will result in replenishment of the Basin. The Watermaster shall review these
9 expenditures and if it concurs reduce California American's Replenishment Assessment
10 obligation, for that year, by an amount equal to the amount claimed by California American.
11 To the extent that the Watermaster rejects any of the claimed amounts, it shall provide
12 California American with an explanation for the rejection and allow California American an
13 opportunity to meet and confer on the disputed amount. In the event that the Watermaster and
14 California American cannot agree, the matter may be referred to the Court through a request
15 filed by California American.

16 2. Assignment and Transfer of Production Allocation. Subject to other
17 provisions of this Decision, and any applicable Watermaster Rules and Regulations, the
18 Parties may assign and transfer any portion of their respective Production Allocation either on
19 an annual Water Year basis or in perpetuity to any Person for use within the Basin.

20 The Parties may also assign and transfer the right to Extract any quantity of Water
21 associated with an existing Stored Water Credit or Carryover Credit, subject to other
22 provisions of this Decision, and any applicable Watermaster Rules and Regulations.

23 3. Export of Groundwater Outside of Subarea or Seaside Basin.

24 a. Exports Authorized from the Coastal Subarea. Producers may export
25 Water Produced from the Coastal Subarea for reasonable and beneficial uses within another
26 Subarea of the Seaside Basin. Only California American may export water outside the Basin,
27 and then only to provide water to its current customers. This means that, in any Water Year,
28 any Producer may export from the Coastal Subarea up to, but not in excess of, a quantity

1 equal to the sum of that Producer's Production Allocation, plus Stored Water Credits, plus
2 Carryover Credits. Export of Groundwater in excess of a Producer's total rights (Production
3 Allocation, plus Stored Water Credits, plus Carryover Credits), however, is prohibited.

4 b. Exports of Natural Replenishment Water Prohibited from the Laguna
5 Seca Subarea. Exports from the Laguna Seca Subarea of Natural Replenishment Water and
6 Carryover Credits not caused by Artificial Replenishment are prohibited.

7 c. Portability Authorized Within Subareas; Portability Prohibited
8 Between Subareas. Any Producer may change the location of its Production facilities within
9 its respective Subarea or join other Production facilities within its Subarea, so long as such
10 relocation does not cause a Material Injury or threat of Material Injury to the Basin or
11 interfere with the Production by any pre-existing Production facilities operated by another
12 Producer(s). No Party may Produce Groundwater from the Coastal Subareas pursuant to any
13 right recognized by this Decision in the Laguna Seca Subarea, and *vice versa*.

14 N. Watermaster Decision Review Procedures. Any action, decision, rule or procedure of
15 the Watermaster pursuant to this Decision shall be subject to review by the Court on its own
16 motion or on timely motion by any Party, as follows:

17 1. Effective Date of the Watermaster Action. Any order, decision or action of the
18 Watermaster pursuant to this Decision on noticed specific agenda items shall be deemed to
19 have occurred on the date of the order, decision or action.

20 2. Notice of Motion. Any Party may, by a regularly noticed motion, petition the
21 Court for review of the Watermaster's action or decision pursuant to this Decision. The
22 motion shall be deemed to be filed when a copy, conformed as filed with the Court, has been
23 delivered to the Watermaster together with the service fee established by the Watermaster
24 sufficient to cover the cost to photocopy and mail the motion to each Party. The Watermaster
25 shall prepare copies and mail a copy of the motion to each Party or its designee according to
26 the official service list which shall be maintained by the Watermaster according to Section
27 III.P.2. A Party's obligation to serve notice of a motion upon the Parties is deemed to be
28 satisfied by filing the motion as provided herein. Unless ordered by the Court, any such

1 petition shall not operate to stay the effect of any Watermaster action or decision that is
2 challenged.

3 3. Time for Motion. A motion to review any Watermaster action or decision will
4 be filed within thirty (30) days after such Watermaster action or decision, except that motions
5 to review Budget Assessments and Replenishment Assessments hereunder shall be filed
6 within fifteen (15) days of mailing of notice of the Assessment.

7 4. De Novo Nature of Proceedings. Upon filing of a petition to review a
8 Watermaster action, the Watermaster shall notify the Parties of a date when the Court will take
9 evidence and hear argument. The Court's review shall be de novo and the Watermaster
10 decision or action shall have no evidentiary weight in such proceeding.

11 O. Reserved Jurisdiction and Other Remedies.

12 1. Continuing Jurisdiction.

13 a. Jurisdiction Reserved. Full jurisdiction, power and authority are
14 retained by and reserved by the Court upon the application of any Party or by the
15 Watermaster, by a noticed motion to all Parties, to make such further or supplemental orders
16 or directions as may be necessary or appropriate for interpretation, enforcement, or
17 implementation of this Decision. The Court may also modify, amend or amplify any of the
18 provisions of this Decision upon noticed motion to all the Parties. The Court, through its
19 reserved and retained jurisdiction, however, shall not have the authority to adjust any
20 Producer's Base Water Right or Production Allocation, except to accommodate the
21 intervention of a new Party pursuant to Section III.O.1.b. However, should an adjustment of
22 Base Water Right and/or Production Allocation within a Subarea be required to accommodate
23 the intervention of a new Party, no adjustment shall be made to the Base Water Right or
24 Production Allocations possessed by any Party operating under the Alternative Production
25 Allocation within the Landowner Group until the Production Allocations within that Subarea
26 possessed by Parties operating under the Standard Production Allocation have been reduced
27 to zero.

28 //

1 b. Intervention After Decision. Any non-party who is Producing or
2 proposes to Produce Groundwater from the Seaside Basin in an amount equal to or greater
3 than five (5) acre feet per year, may seek to become a Party to this Decision through (1) a
4 stipulation for intervention entered into with the Watermaster or (2) any Party or the
5 Watermaster filing a complaint against the non-party requesting that the non-party be joined
6 in and bound by this Decision. The Watermaster may execute said stipulation on behalf of
7 the other Parties herein, but such stipulation shall not preclude a Party from opposing such
8 intervention at the time of the Court hearing thereon. A stipulation for intervention must be
9 filed with the Court, and the Court will then consider an order confirming said intervention
10 following thirty (30) days' notice to the Parties. Thereafter, if approved by the Court, such
11 intervenor shall be a Party bound by this Decision and entitled to the rights and privileges
12 accorded under the Physical Solution herein.

13 2. Reservation of Other Remedies.

14 a. Claims By and Against Non-Parties. Nothing in this Decision shall
15 expand or restrict the rights, remedies or defenses available to any Party in raising or
16 defending against claims made by any non-party. Any Party shall have the right to initiate an
17 action against any non-party to enforce or compel compliance with the provisions of this
18 Decision.

19 b. Claims Between Parties on Matters Unrelated to the Decision.
20 Nothing in this Decision shall either expand or restrict the rights or remedies of the Parties
21 concerning any subject matter that is unrelated to the use of the Seaside Basin for Extraction
22 and/or Storage of Water as allocated and equitably managed pursuant to this Decision.

23 P. General Provisions.

24 1. Decision Constitutes Inter Se Adjudication. This Decision constitutes an inter
25 se adjudication of the respective rights of all Parties.

26 2. Service Upon and Delivery to Parties and Interested Persons of Various
27 Papers. This Decision and all future notices, determinations, requests, demands, objections,
28 reports and other papers and processes Produced from this Court shall be served on all

1 Parties by first class mail, postage prepaid, addressed to the designee and at the address
2 designated for that purpose in the list attached as Exhibit E to this Decision, or in any
3 substitute designation filed with the Court.

4 Each Party who has not heretofore made such a designation, within thirty (30) days
5 from the date Judgment is granted, shall file with the Court, with proof of service of a copy
6 upon the Watermaster, a written designation of the Person to whom, and the address at which,
7 all future notices, determinations, requests, demands, objections, reports and other papers and
8 processes to be served upon that Party or delivered to that Party are to be so served or
9 delivered.

10 A later substitute designation filed and served in the same manner by any Party shall be
11 effective from the date of the filing as to the then future notices, determinations, requests,
12 demands, objections, reports and other papers and processes to be served upon or delivered to
13 that Party.

14 Watermaster shall maintain at all times a current list of Parties to whom notices are to be
15 sent and their address for purposes of service. Copies of such lists shall be available to any
16 Person. If no designation is made, a Party's designee shall be deemed to be, in order of priority:
17 (a) the Party's attorney of record; (b) if the Party does not have an attorney of record, the Party
18 itself at the address on the Watermaster list.

19 Watermaster shall also maintain a list of interested Persons that shall include all Persons
20 whom, by written request to Watermaster, request to be added to Watermaster's list of interested
21 Persons. All notices, determinations, requests, demands, objections, reports and other papers and
22 processes required to be delivered to interested Persons shall be delivered to all Parties and all
23 Persons on Watermaster's list of interested Persons.

24 Delivery to or service upon any Party or interested Person by Watermaster, by any other
25 Party, or by the Court, of any document required to be served upon or delivered to a Party under
26 or pursuant to this Decision shall be deemed made if made by deposit thereof (or by copy
27 thereof) in the mail, first class postage prepaid, addressed to the designee of the Party and at the
28 address shown in the latest designation filed by that Party.

1 Any Party desiring to be relieved of receiving deliveries from Watermaster may file a
2 waiver of notice on a form to be provided by Watermaster.

3 3. Decision Binding on Successors. All provisions contained in this Decision are
4 applicable to and binding upon and inure to the benefit of not only the Parties to this action, but
5 also to their respective heirs, executors, administrators, successors, assigns, lessees, licensees and
6 to the agents, employees and attorneys in fact of any such Persons.

7 Q. The Complaints in Intervention

8 The Complaint in Intervention of MPWMD seeks declaratory relief regarding its statutory
9 right to manage and control pumping in the Basin, to store water in and Extract water from the
10 Basin, to store and use reclaimed water, to manage all water distribution facilities within the
11 Basin, and “the quantification and prioritization of its water and storage rights”. It also sought a
12 Physical Solution for the management of the Basin’s water resources, with MPWMD being
13 appointed as Watermaster to administer the Court’s judgment. It also sought parallel injunctive
14 relief against the parties to the lawsuit.

15 The Complaint in Intervention of MCWRA sought declaratory and injunctive relief
16 regarding its right to manage and control water resources including, inter alia, those within the
17 boundaries of the Seaside Basin, and a permanent injunction prohibiting any party to the lawsuit
18 from exercising control “in any fashion” of the Basin in contravention of its water management
19 authority.

20 On December 12, 2005, the Court asked the parties to brief the issue of whether
21 MPWMD should be designated as Watermaster. Briefs were submitted by MPWMD, Plaintiff,
22 Cal Am, and the City of Seaside. The court had previously received an Amicus brief from the
23 Sierra Club which dealt with the issue of the powers of MPWMD and the effect on those
24 powers if the court were to appoint a Watermaster other than MPWMD. The Court has read
25 and considered each submitted brief. It has also read the Act which created MPWMD (Water
26 Code Appendix, Chapter 118), and has had the benefit of the arguments of the parties concerning
27 the subject. Being so informed it has concluded that the appointment of a collaborative
28 Watermaster does not interfere with the powers of the District.

1 The District has argued that appointment of a Watermaster other than itself would violate
2 the Separation of Powers doctrine. It urges that the legislature has vested it with the power to
3 regulate pumping, and therefore only it is qualified to serve as Watermaster. On the other hand,
4 the District has asked the Court to adopt a Physical Solution for the Basin. In so arguing, it
5 necessarily concedes that this Court possesses power to regulate use of the Basin beyond any
6 power the District currently possesses. Furthermore, the undisputed evidence in this case has
7 shown that, although the District is empowered to adopt a Groundwater management plan it has
8 never done so. The language of Water Code Section 10753 is instructive regarding the issue of
9 the Separation of Powers:

10 “(a) Any local agency, whose service area includes a groundwater basin... that is
11 not subject to groundwater management pursuant to... a court order, judgment, or
12 decree, may... adopt and implement a groundwater management plan.”

13 (Emphasis added.)

14 Pursuant to the quoted provisions of the foregoing section, the District will not be able in the
15 future to adopt a Groundwater management plan for the Seaside Basin. Clearly the legislature
16 contemplated that courts had the power to develop management plans for aquifer management
17 even if a water management district already existed in a geographical area.

18 The District further argues that if the Court appoints a Watermaster other than itself, the
19 authority of the Watermaster must not conflict with the MPWMD’s authority. It is certainly
20 true that the District possesses certain authority, which it is free to exercise according to the
21 legislative mandate which created it. However, it is apparent the legislature did not intend that all
22 of the powers it granted to the District be held exclusively by the District, else it would not at a
23 later time have created the Monterey County Water Resources Agency and endowed it with
24 many of the powers granted to the MPWMD. Rather, in creating the MCWRA, the legislature
25 mandated that the two agencies cooperate with one another (Water Code Appendix Section 52-
26 85). Similarly, the judgment contemplated in this Decision requires the Watermaster to “... act
27 jointly or cooperate with any public...entity to the end that the purposes of the Physical Solution
28 may be fully... carried out.” (Section III.L.3.j.xviii)

1 On pages 15-16 of its brief, the District lists 9 powers and asserts those powers would
2 “encompass the duties of any appointed watermaster.” The Court has compared those 9
3 asserted powers and has concluded that those powers, to the extent that they exist or are currently
4 being utilized by the District, do not encompass all the duties of a Watermaster appointed by the
5 judgment. Furthermore, to the extent the Watermaster may be given powers akin to those of the
6 District, this Court retains jurisdiction to determine any conflict which may arise in the future.
7 For example, the Decision directs that any metering of Production wells by the Watermaster
8 shall be done in a way which does not conflict with the MPWMD gauging already in place on all
9 producing wells. The MPWMD is still able to develop water resources within its boundaries
10 and can store water for the benefit of the District in the Basin, although it has not to date done
11 either of those things with regard to the Seaside Basin.

12 One asserted power deserves more precise attention: the asserted “...power and duty to
13 manage and regulate the transferability of the water among users- (Water Code Appendix)
14 Section 328(g).” The plain reading of the referenced section does not encompass the right
15 asserted. Furthermore, to the extent those that section purports to grant the District the power to
16 “...declare rights in the natural flow of any subterranean supply of water...” it is apparent that
17 the legislature did not intent to interfere with the ultimate right of the courts to determine the
18 water rights of parties claiming such rights. To read the section otherwise would be to create a
19 true Separation of Powers issue.

20 In fairness to the District, it had, of necessity, to confine its analysis of the duties of the
21 proposed Watermaster to those set forth in the Proposed Stipulated Judgment. The Decision,
22 while obviously relying on the structure and format of the Stipulated Judgment, does not track all
23 provisions of said Judgment. For example, many of the concerns of the District revolve around
24 its statutory right to store water in subterranean reservoirs. The Decision preserves that right.
25 Similarly, while the Decision allows the assignment of Production rights (which the District is
26 not empowered to affect by its referenced legislation, Water Code Section 328(g)), it does not
27 provide for the transferability of Storage rights, a matter which might be of concern to the
28 District under certain circumstances.

1 The District argues that the proposed powers of the Watermaster regarding maintenance
2 and modification of the Operating Safe Yield would conflict with the District's authority. Much
3 of its argument is addressed to language in the Proposed Stipulated Judgment which does not
4 appear in the Decision. The Decision grants certain rights of control to the Watermaster for the
5 purpose of maintaining the viability of the aquifer. However, it does not purport to forbid any
6 regulation of the Basin which may be required by a public agency possessing the power to
7 impose such regulation. In this regard it should be noted that the complaint in this case first
8 raised the issue of the Overdraft status of the Basin, and the initial pleadings of the District stated
9 that it did not know if that were true or not. The Decision does not conflict with any procedure
10 or plan currently in place by the District to establish an Operating Yield for the Basin.

11 Of concern to the District is the fact that the Watermaster will be empowered to augment
12 the underground water supply. While Water Code Section 118-343 gives the District the power
13 to levy a Groundwater charge for the purpose of augmenting underground water supplies, in fact
14 from the time of its creation in 1977 to the present the District has established no such charge,
15 and has not augmented the underground water supply of the Basin. The fact that the
16 Watermaster is authorized in the contemplated judgment to assess charges for replenishment of
17 the Basin does not prevent the District in the future from undertaking such augmentation, if it
18 determines it is appropriate to do so.

19 Based upon the evidence adduced at trial, which demonstrated that a collaborative
20 Watermaster will likely provide more tangible results than any single individual or entity
21 Watermaster, the Court has decided to appoint a collaborative board as Watermaster.

22 The prayer of MPWMD for injunctive relief is denied, except insofar as the court will
23 issue injunctive relief as set forth in the Decision at the request of all parties. The prayer that
24 the Court adopt a Physical Solution for the Seaside Basin is granted. The request for declaratory
25 relief is granted to the extent that the court finds that the statutory rights of MPWMD are not in
26 conflict with the Physical Solution and the appointment of a Watermaster in this proceeding.

27 The Complaint in Intervention of MCWRA also seeks declaratory and injunctive relief, but
28 does not urge the appointment of itself or any other entity as Watermaster. The request for

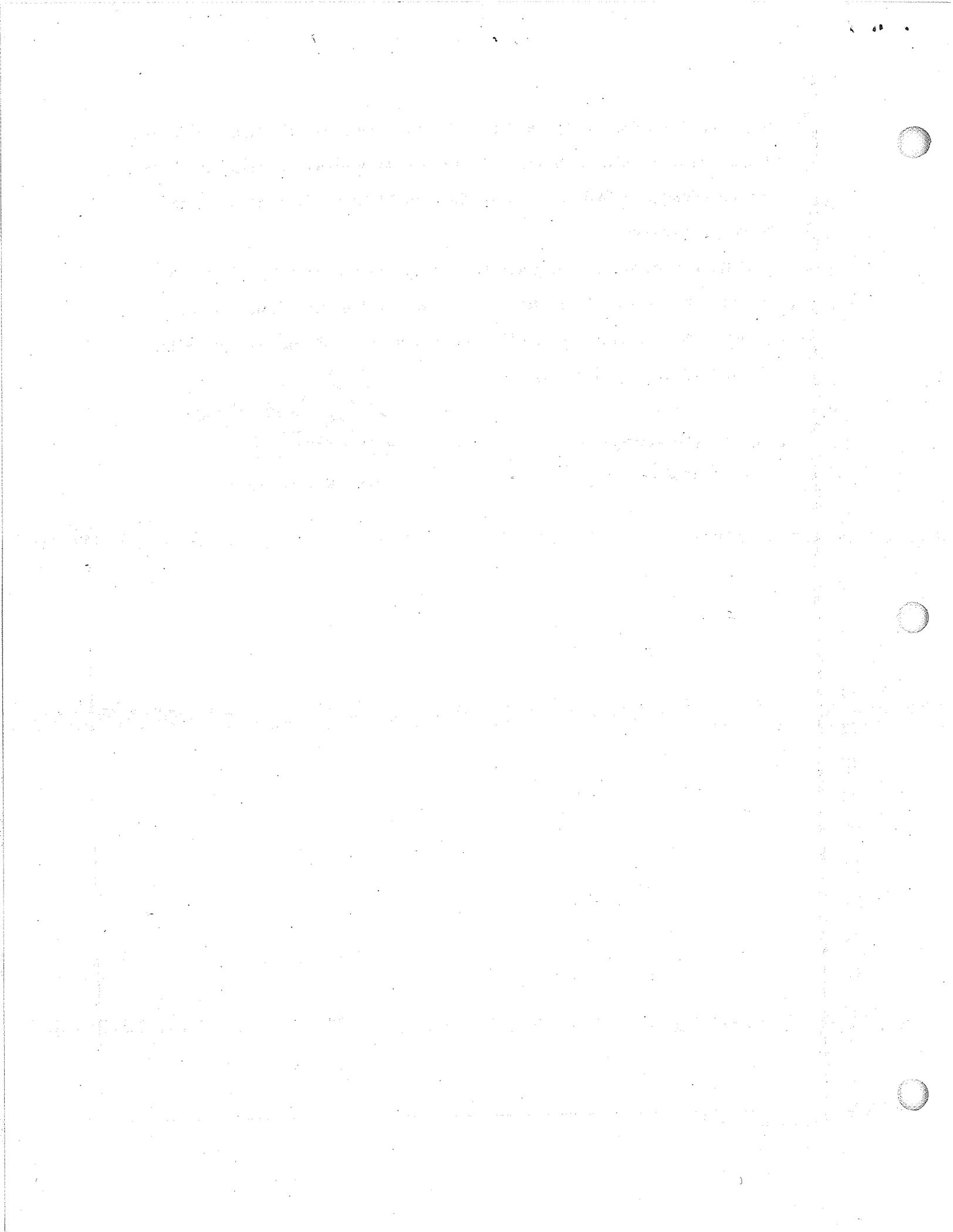


EXHIBIT A



Principles and Procedures of the Seaside Basin Monitoring and Management Plan

Introduction

This document sets forth the criteria that will guide the Watermaster in creating the Seaside Basin Monitoring and Management Plan. It also establishes a procedure for dealing with seawater intrusion, should the same occur, during the time the Watermaster is developing its plan of action to deal with such an eventuality.

Plan Criteria

Within sixty days of entry of the Judgment by the Court, the Watermaster will submit for the Court's approval a Monitoring and Management Plan containing details for implementation of the following actions:

- a. *Exploratory borehole drilling program.* About four exploratory boreholes shall be drilled along the shoreline and the northern boundary of the Basin to depths ranging from 500 to 1500 feet, the depth being controlled by the depth of the Monterey formations. Lithologic samples shall be collected and classified for every one foot of drilling. A full suite of geophysical logs shall be collected. The data collected as part of this program shall be compared to other well data in the Seaside Basin to further refine the hydrogeologic conceptual model in the areas between the production wells and saline groundwater.
- b. *Geophysical surveys.* Geophysical surveys shall be performed along the shoreline and the northern boundary of the Basin, intersecting the test borehole locations. The results of the geophysical surveys shall be calibrated against the test borehole data. The borehole data and the surveys shall be analyzed to characterize the near shore hydrology and to locate and design new monitoring wells.
- c. *New monitoring wells.* About four to six monitoring well clusters shall be drilled and installed along the shoreline and the northern boundary of the Basin. Each cluster shall consist of at least four to five wells to provide a detailed vertical characterization of head and water quality through the aquifer system. The Watermaster shall coordinate the placement of the wells with MPWMD, which already has some monitoring wells in place with plans to drill more, to avoid duplication of effort and cost inefficiencies.
- d. *Design and implementation of a piezometric and water quality monitoring program.* Pressure transducers and ionic probes (EC and Cl) shall be installed in each well at each cluster. These probes will record water levels and water quality on a frequent interval (every 15 minutes for water levels, and every day for water quality). Where possible, similar probes will be installed in the pumping wells to record water levels and on/off cycles. Grab samples will be obtained periodically to true up the ionic probes. These data will be analyzed to assess the state of seawater

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intrusion, reveal groundwater barriers within the aquifer system, and more accurately estimate aquifer system parameters.

- e. *Development and implementation of a management program.* The objectives of the management program will be to optimize pumping, halt seawater intrusion, and return the Basin to equilibrium through implementation of conservation methods; replacement of water drawdown by substitution of reclaimed water, where appropriate, infusion of imported water into the aquifer; and utilization of controlled pumping schedules through analysis of real-time monitoring.
- f. *Develop criteria for use by the Watermaster in determining any modification of the Operating Yield.*

The management program will include periodic review of monitoring information and the use of this review to guide near-term and long-term groundwater pumping. If seawater is detected by the MPWMD monitoring wells currently in place, or by pumping wells, or by the monitoring well system contemplated by this document, the Watermaster shall follow the procedures developed pursuant to the mandate of the following paragraph. If it is detected before such procedures are in place, the Watermaster shall follow the procedure set forth in the *Interim Contingency Procedure to Contain Seawater Intrusion*, infra.

Within one year after entry of the Judgment by the Court, the Watermaster will:

- (a) develop improved estimates of the natural and secondary recharge within the Seaside Basin;
- (b) develop and implement a program for collecting groundwater production, water use, and land use data for the Seaside Basin and appropriate adjacent areas;
- (c) develop a suitable groundwater model of the Seaside Basin and appropriate adjacent areas;
- (d) develop a plan of action to be implemented to avoid various adverse effects in the Basin, including seawater intrusion; and
- (e) develop a plan of action to contain seawater intrusion, should it occur. The plan of action to avoid adverse effects in the Basin shall include a timeline for the importation of Non-Native water for spreading or injection into the Basin, and for acquisition of recycled water in lieu of Native Water production, and shall outline concrete steps to be taken to secure both Non-Native Water and recycled water.

Interim Contingency Procedure to Contain Seawater Intrusion

If Seawater intrusion is detected in the Basin during the development of the Watermaster's Management Plan, the following contingency plan will be set in motion to prevent seawater from contaminating larger portions of the Basin:

- a. *Detection in a coastal monitoring well.* If seawater intrusion is detected in a coastal monitoring well, it is imperative that pumping stresses be reduced so that seawater is not pulled inland to producing wells. To accomplish this, all wells that produce from the intruded aquifer that are within one-half mile of the affected monitoring well will reduce their production to the equivalent of one-half their previous five-year pumping average. Monitoring of groundwater levels within the one-half mile radius

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the integrity of the financial system and for the ability to detect and prevent fraud. The text also mentions the need for regular audits and the role of independent auditors in ensuring the reliability of the financial statements.

2. The second part of the document focuses on the role of the board of directors in overseeing the company's financial performance. It states that the board is responsible for ensuring that the company's financial policies are sound and that the financial statements are prepared in accordance with the applicable accounting standards. The text also discusses the importance of the board's independence and the need for the board to have access to all relevant financial information.

3. The third part of the document discusses the role of the management in preparing the financial statements. It states that the management is responsible for ensuring that the financial statements are prepared in accordance with the applicable accounting standards and that they provide a true and fair view of the company's financial position. The text also mentions the need for the management to have a strong internal control system in place to ensure the accuracy of the financial data.

4. The fourth part of the document discusses the role of the external auditors in providing an independent opinion on the financial statements. It states that the external auditors are responsible for examining the financial statements and providing an opinion on whether they are prepared in accordance with the applicable accounting standards. The text also mentions the need for the external auditors to be independent and to have access to all relevant financial information.

5. The fifth part of the document discusses the role of the regulatory bodies in overseeing the financial system. It states that the regulatory bodies are responsible for ensuring that the financial system is fair, transparent, and stable. The text also mentions the need for the regulatory bodies to have a strong legal and enforcement framework in place to ensure the integrity of the financial system.

of the affected well will be increased to determine if groundwater gradients following reductions in pumping have been modified sufficiently to prevent further seawater intrusion. This increase in monitoring effort will include installing at least one new monitoring well as a sentinel between the affected monitoring well and the nearest down-gradient active production well. After six months of reduced pumping, the threat of further seawater intrusion will be re-evaluated. If there continues to be a groundwater gradient that would pull the detected seawater toward producing wells, the pumping wells within one-half mile of the affected monitoring well will further reduce pumping to one-third of their previous five-year pumping average. After another six months of monitoring, the direction of groundwater gradients will again be evaluated. If there continues to be a groundwater gradient that would pull the detected seawater towards producing wells, then the wells with reduced pumping will discontinue pumping. If, after the initial discovery of intrusion, seawater is encountered in an additional monitoring well, pumping reductions will be required for nearby producing wells in the same manner as for the first intruded monitoring well.

- b. *Detection in a production well.* If seawater intrusion is encountered in a production well, that well will discontinue pumping. In addition, all wells that produce from the intruded aquifer that are within one-half mile of the affected well will reduce their production to the equivalent of one-half of their previous five-year pumping average. The sequence of threat evaluation, subsequent pumping reductions, and installation of new monitoring wells will be the same as for that in subparagraph a.

If the implementation of the procedures set forth above causes a production well to reduce its pumping or to cease pumping altogether, all reasonable efforts must be undertaken by the Watermaster to insure that lost production will be replaced by redistributing pumping, further conservation efforts on the part of all parties, or provision of replacement water from other sources.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice. The second part outlines the procedures for handling discrepancies and errors, including the steps to be taken when a mistake is identified. The third part provides a detailed breakdown of the financial data, including a summary of the total amounts and a comparison with the previous period. The final part concludes with a statement of the overall financial health and a recommendation for future actions.

The following table shows the results of the audit, which were found to be in accordance with the records maintained. The total amount of the audit was \$100,000.00, which is the same as the amount reported in the previous period. This indicates that the records are accurate and that there are no significant discrepancies.